Nation's Business

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Nation's Business

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Can You Call a Man a "Failure" at Thirty?

Men who think that success is only a matter of "a few years" are failures . . . however young they are!

How often have you heard some young man in business say, "I'll admit the job I have now isn't much but, after all, I'm only in my twenties."

Or: "Just about every executive in the company I work for is between 45 and 65. I have plenty of time to get ahead."

This *mistaken* idea that success comes automatically with time is easy to understand. Promotions do come regularly and effortlessly to young men of promise. *But* the day arrives, often abruptly, when that promise must be *fulfilled*. Native ability and intelligence can carry a man only to the mid-way point in business—beyond that he must *prove* his capacity to justify a position of executive responsibility. That calls for a practical, working knowledge of business fundamentals.

The time to build that knowledge—to lay a solid groundwork for your future progress—is now . . . *now* while time is still on your side. If you fail to recognize that fact, you'll know only struggling, skimping and regret when your earning power should be at its height.

FOR THE BUSINESS MAN WHO REFUSES TO STAGNATE

HALF the world is half asleep! Men who could be making twice their present salaries are coasting along, hoping for promotions but doing nothing to bring themselves forcefully to the attention of management. They're wasting the most fruitful years of their business lives... throwing away thousands of dollars they'll never be able to make up.

If *you* want to discover how to start to succeed while you're still young—if you want to avoid the heartbreak of failure in later years—send today for "Forging Ahead in Business". . . one of the most practical and helpful booklets ever written on the problems of personal advancement. You will discover what the qualifications of an executive are in today's competitive market . . . what you must know to make \$15,000, \$20,000 or more a year . . . what you must *do* to accumulate this knowledge.

"Forging Ahead in Business" was written for ambitious men who seriously want to get down to bed-rock in their thinking about their business future; there's no charge for the booklet because, frankly, we've never been able to set a price on it that would reflect its true value. Some men have found a fortune in its pages. If you feel that it's meant for you, simply fill out and return this coupon. Your complimentary copy will be mailed to you promptly.

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management's WASHINGTON LETTER

▶DISAGREEMENT EXISTS between some government officials and government staff economists about business outlook for the next 10 years.

Politicians view economic prospects with more optimism than many economists think is realistic.

Here's the inside story of what's happening:

Total value of all goods and services produced this year will probably reach $510 billion (year's total).

Staff economists add some $200 billion to that for the gain expected by 1970.

But some government officials now are saying they expect an increase of as much as $250 billion.

That's a 50 per cent increase as against 40 per cent.

Which is right?

Volume of business usually doubles about every 25 years.

To beat that rate of increase would require a big spurt of economic growth for a period of years.

Here's how estimates for decade ahead compare with other decades which saw:

--$150 billion increase in annual output between 1950 and 1960.

--$125 billion increase between 1940 and 1950.

▶FUTURE BUSINESS RECESSIONS will be eased by consumers.

That's finding by Dr. George Katona, program director at Survey Research Center, University of Michigan.

After years of studying consumer attitudes, Dr. Katona reaches conclusion that consumer actions do much to level booms and dips in economic swings.

His book, "The Powerful Consumer," will be published this month.

Summary of his findings written especially for Nation's Business starts on page 34.

▶ECONOMIC FACT worth noting:

Personal income in the U.S. will reach annual rate of $400 billion soon.

Total for 1960 will exceed that.

Amount will be up from:

--$300 billion in '54.

--$200 billion in '47.

--$100 billion in '41.

Also worth noting:

Prices have doubled since '41.

▶LIVING STANDARDS--measured by income --are rising.

A look ahead shows:

Total personal income soon will average $1,900 a year for every man, woman, child in the country.

That's highest ever.

But the rise is only half as much as it could be.

Inflation eats heavily into income.

Here are the facts:

Total personal income now averages about $625 per person higher than it did 10 years ago.

Adjust for loss due to price inflation and you'll find that real purchasing power has gone up only $325 per person.

Without inflation, purchasing power of each person would have gone up the full $625.

▶HERE'S REASON FOR ALARM about creeping inflation:

At an average price increase of two per cent per year, inflation would eat away half the purchasing power of the savings of a worker during an average working life of 45 years.

A three per cent inflation rate would leave only a little more than a fourth of original purchasing power.

▶PROSPERITY SOMETIMES CAUSES a kind of situation that could nip the bloom off the boom.

That could be happening in the next few months.

Here's how it works:

Good times cause some people to go job hunting who might otherwise stay out of the job market.

Examples: Students who quit school to hunt for work; housewives who, if jobs were hard to get, might otherwise stay at home tending to mending.

During recessions (such as '57-'58) they keep studying, remain at home.

But in good times, job opportunity flushes them out. When anyone starts looking for work he is counted in the work force.

Normal swell in work force has been averaging about 800,000 per year in recent years.

This year (according to an unpublicized government study) about 1.2 million new people are likely to join

those working or looking for work.

Economists in Washington are beginning to wonder if all of this new flood of workers will be able to find jobs.

Expectation (you'll begin hearing more about it in months to come) is that the jobless total, even while the boom is still on, may begin to rise slightly by the end of this year.

▶WHAT YOU'LL SEE really is a prelude to the future.

A new study by the Bureau of Labor Statistics shows these projections for the future:

From 73.6 million people in the work force now, about 15.5 million will drop out in the next 10 years--because of death, retirement, marriage, etc.

To the work force in 10 years will be added about 26 million young people and about three million adult women who will return to jobs.

That'll boost the total work force to more than 87 million.

The flood of young people into the work force will begin in the second half of this year to some extent, build up more in years ahead.

Consequently, by the middle 1960's an average of about 1.5 million youngsters will be joining the working group each year.

Projection also includes an estimate that three out of 10 youngsters in the next 10 years will fail to complete a high school education.

While that will be an improvement in the drop-out rate, it means, too, that a total of 7.5 million young people without high school training will be looking for jobs during a period when greater emphasis will be placed on education and training.

Note that the highest rates of unemployment are among youngsters who did not complete high school.

Thus the future is likely to see a booming economy with expanding numbers of jobless youngsters.

▶AMERICA'S GREATEST OPPORTUNITY for future economic health lies in removal of roadblocks to better growth.

Look at the cost of creating jobs.

A new survey by the National Industrial Conference Board reveals that average capital investment per production worker in manufacturing industries is $17,800.

That means the creation of one million new jobs in factories would cost a total of $17.8 billion.

Note these two projections:

1. U.S. work force this year will grow by an estimated 1.2 million workers.

2. U.S. corporations this year will have an estimated $12 billion in retained earnings after taxes, dividends.

▶HERE'S MORE ABOUT HIGH COST of creating new jobs.

Current cost ($17,800 per job) is lower than a year ago ($17,900).

But the figure's about $1,900 per job higher than '57.

Increase from '57 to '58 was highest annual increase since '39.

Survey shows that cost for 19 out of 21 industries went up.

▶A USEFUL LOOK AT THE FUTURE is now available in a new booklet called "The Promise of Economic Growth."

It evaluates the costs of economic growth, obstacles, conditions, prospects for growth, etc.

It's available from Economic Research Department, U.S. Chamber of Commerce, Washington 6, D.C.--$1 per copy.

▶MORE LIBERAL TAX DEPRECIATION rules for plant and equipment could result from a new Treasury Department survey getting under way.

But you might find proposals in this area tricky and confusing.

Tightening up is possible before any liberalization is likely to come.

▶TREASURY IS MAKING a many-industry survey to determine tax-depreciation needs and practices.

Treasury's asking what changes could help business.

Here's background plus probable course of action:

Many industries complain that their equipment is obsolete before its cost can be written off.

This restricts company's ability to expand plant capacity, to modernize.

Treasury officials say they'd be more willing to accept new judgment on useful

life of property for depreciation purposes if the chance to profiteer is blocked first.

Administration wants to tighten rules on resale of equipment.

Specific proposal is that any profits made from sale of written-off equipment would be taxed at ordinary income rates rather than lower capital gains rate.

Any hard push for depreciation changes this year **is likely to start with this** kind of revision.

Treasury's survey will take months.

After that, liberalization might be asked.

▶EMPHASIS ON GOVERNMENT ECONOMY hides fact that federal spending really is climbing at a rapid pace.

Take this politician's statement:

"Spending must increase because we have a growing population."

Now look at these facts:

Population since 1952 has gone up 17 per cent.

Take out defense dollars (because '52 was a Korean war year) and you'll find that nonmilitary federal spending for the period zoomed 60 per cent.

That's a federal spending rise more than three times as fast as population increase.

▶BOOMING BUSINESS BOOSTS expected tax take for year ahead.

Look beyond Uncle Sam's collections.

Impact of government finance on your business is far greater than budgeted spending and tax collections indicate.

Here's why:

Governments--federal, state, local--will collect a total of $145.5 billion from the people in fiscal '61.

That means:

Total value of all business produced throughout the country in every two days out of seven in the next year will go to government.

Figure's $22.5 billion higher than actual '59 collections, $11 billion higher than expected '60 collections.

Expenditures for all levels of government, now $136 billion, will climb to $140 billion.

That's $10.5 billion above actual '59 spending, $4 billion higher than total expected for '60.

▶STATES AND LOCAL GOVERNMENTS are leaning on Uncle Sam for more money than ever before.

Currently they're expecting to get $1 out of every $7 they spend.

Three years ago Uncle Sam handed back $1 for every $11 spent by states and local governments.

▶PROJECTION FOR NEXT YEAR shows:

Uncle Sam expects to give more than $7.1 billion back to states and local governments.

That's about 175 per cent higher than the total for 1952.

It's an increase eight times faster than the total federal budget growth.

▶PROPOSALS IN CONGRESS would add new billions to federal handback programs.

Take schools.

We're already spending more than $2 billion a year for federal aid to education.

Money pours out of Washington through 137 individual programs of aid.

New free-spending proposal gaining momentum against vigorous business opposition would add another $1.1 billion per year to the federal budget next year, more in years to come.

Background on this important issue, see page 58.

▶PROGRESS IS BEING MADE in education without big new programs of federal spending.

Study of facts shows this.

During the past 10 years:

Enrollment in public schools has gone up 45 per cent.

School expenditures (local only) are running 168 per cent higher.

Number of teachers falling behind?

We've got 51 per cent more teachers now than we had 10 years ago.

Their pay's up 71 per cent.

▶IS PROGRESS LIMITED to comparison of 10 years ago?

Emphatically not.

Current expenditures are about nine per cent higher than for past year.

Enrollment's up only 4.1 per cent.

Number of teachers? 4.3 per cent more than we had a year ago.

Their pay's up 4.5 per cent.

WATCH THIS ISSUE

Proposal would boost wage costs $43 million

Chances are increasing that new legislation will pass this year

YOUR PAYROLL and costs will get another big push upward if Congress goes along with organized labor's top legislative demand.

Union leaders want an increase in the minimum wage from $1 to $1.25 an hour and, further, want the law's minimum and overtime pay to cover additional millions of workers. About 24 million are now covered.

In this election year, many in Congress view a boost in the minimum wage as a good vote-getter. This increases the likelihood that some kind of minimum wage legislation will get through this session. The big question is what kind.

Action is imminent in the Senate, where a labor subcommittee has approved an increase to $1.25 an hour and extension of coverage to nearly 11 million more employes, mostly in retail and service establishments.

President Eisenhower last year opposed any increase in the minimum and approved limited extension of coverage to about 2.5 million more workers. Recently, however, Secretary of Labor James P. Mitchell said a modest increase won't hurt.

Major business groups oppose the legislation as inflationary, as contributing to unemployment by forcing many lower-paid workers out of jobs, as injurious to small businesses and as unnecessary federal intervention.

"The inflationary spiral touched off by this legislation would not stop with the wage increase necessary to bring the lowest paid employes up to $1.25 an hour," says Erwin D. Canham, president of the U. S. Chamber of Commerce. "It would be felt throughout the entire wage scale—as wages of higher paid employes were raised to maintain existing wage differentials."

Mr. Canham estimated that if a 25 per cent increase were spread all through the wage structure to maintain existing pay differentials—and there were no layoffs—the country's wage bill would go up about $43 million. This would not be related to increased productivity and would have to be passed along to the consumer in higher prices.

Extending coverage to retail and service firms would represent additional federal intervention in local and intrastate commerce. Wages, hours, working conditions and prices are determined by local economic factors and customs, even where the retail establishment is part of an interstate chain, opponents of extended coverage point out.

Supporters of the legislation assert that it is needed to create new purchasing power to keep the lag between high-paid and low-paid workers at a minimum.

If Congress is going to amend the minimum wage law it should rewrite it to include two other laws which require even higher minimums for government work, the U. S. Chamber has urged.

These are the Walsh-Healey Public Contracts Act, which covers production of goods for the government, and the Davis-Bacon Prevailing Wage Law, which applies to work on government construction.

Both of these laws were enacted to cover government work before the general minimum wage law was passed, and at a time when minimum wage requirements were held to be unconstitutional when applied to private industry.

The Secretary of Labor determines the prevailing minimum wage which government contractors must pay, depending on wages being paid

LeTourneau-Westinghouse gives heavy-equipment customers swift, direct-from-factory service via AIR EXPRESS.

Air Express gets road scraper back to work fast!

This giant dirt-moving scraper stands idle. A replacement contactor switch was needed. The local distributor found the item temporarily out of stock. But one phone call and AIR EXPRESS, the nation's most complete air-ground shipping service, sped a replacement direct from manufacturer to construction site. Once again, dependable, convenient AIR EXPRESS saves a modern business time and trouble. Small wonder that so many of today's sales-minded concerns use this low-cost service even for day-to-day shipments. Why don't you let AIR EXPRESS—jet-age wings of modern marketing—get your firm's products FIRST TO MARKET . . . FIRST TO SELL!

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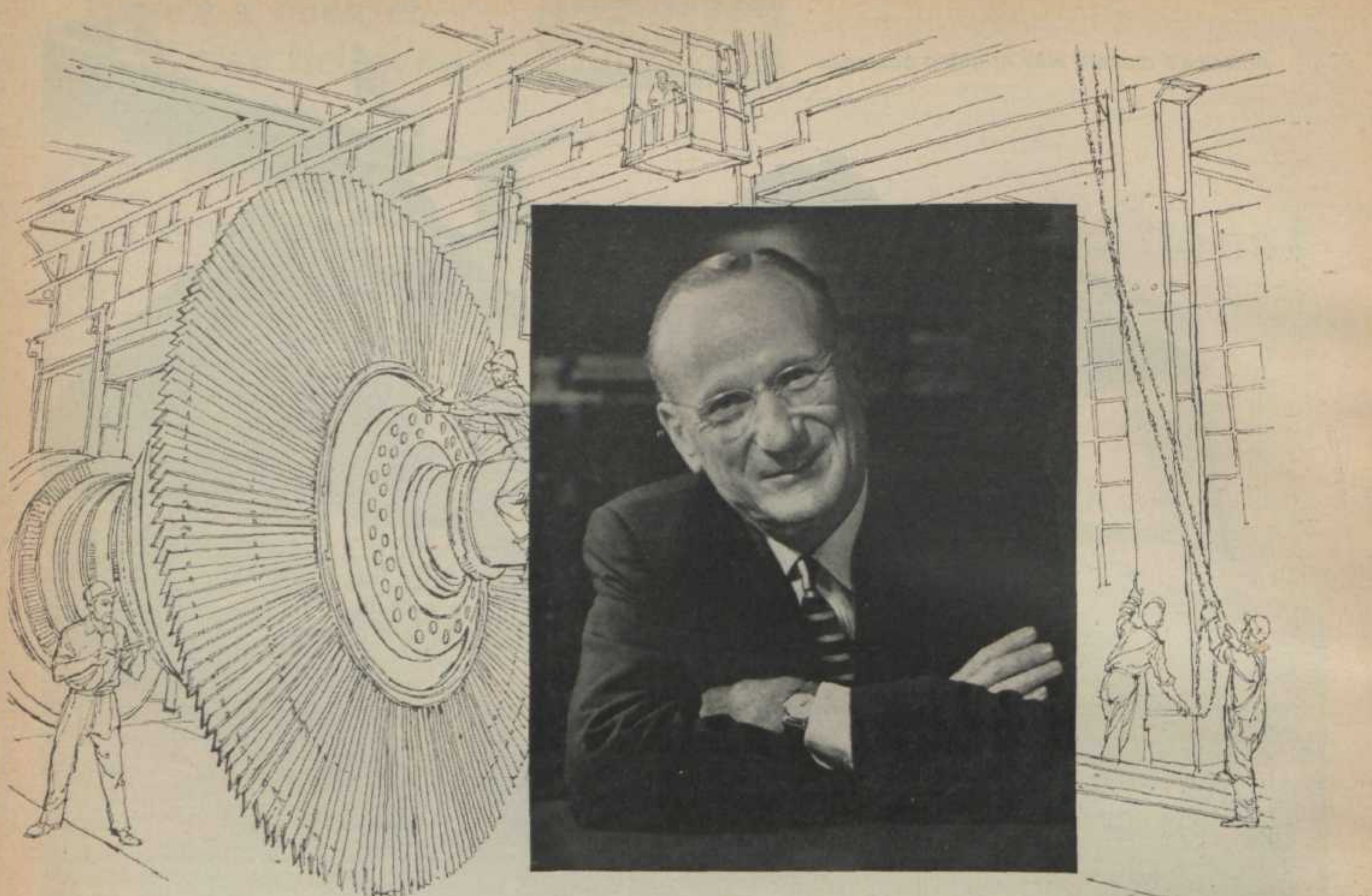

FRANK P. HYER, *President, Delaware Power and Light Co., says . . .*

"Through the 24 years we've been with Blue Cross,® the value of its protection has increased steadily!"

"We started with Blue Cross in January of 1936—just seven months after it was organized here in Delaware. At that time, the Blue Cross idea of help with hospital bills was a new and revolutionary concept. Over the years, all of us who have had occasion to use our Blue Cross have been greatly impressed with the way it has even exceeded its original promise. As new and improved methods of hospital care have been developed, Blue Cross has put them within easy reach of us all!"

THE UP-TO-DATE attitude of Blue Cross Plans has special advantages for management. Each Plan adjusts benefits to fit conditions in its own area. Thus a nationally operating company can, with a single Blue Cross program, assure employees *locally* realistic protection—wherever they are located.

And, as always, Blue Cross Plans handle the details of care and payment directly with the hospitals. No red tape or costly paperwork for your company—no matter how many people you have in Blue Cross. These special services cost your company nothing extra. Blue Cross gives outstanding value for its cost.

Some 300,000 companies today have Blue Cross. Among them are Bendix Aviation, H. J. Heinz Co. and Liggett & Myers Tobacco Co. Blue Cross adapts easily to any employee benefit program, especially retirement. For full facts contact your local Blue Cross Plan.

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in the particular locality where the work is being done.

Under the Davis-Bacon law, Secretary of Labor James P. Mitchell has set pay rates as high as $5 an hour, with many rates above $4.

Under Walsh-Healey, he has set rates up to $2.85 in coal mining.

Sponsor and handler of the Senate bill is Sen. John F. Kennedy of Massachusetts, one of the leading candidates for the Democratic nomination for President. He is chairman of the labor subcommittee which approved a broadened version of his bill. The bill would:

For those already covered, it would raise the minimum wage to $1.25 in two steps: To $1.15 in 90 days and $1.25 a year later.

For employes of large retail and service establishments having annual gross sales of at least $750,000, the minimum would be applied for the first time and would go from $1 to $1.25 in four stages: $1 the first year, $1.10 the second, $1.20 the third, and $1.25 the fourth. Time-and-a-half overtime pay would also be required after 46 hours a week the first year, 44 the second, 42 the third and 40 the fourth.

For employes of smaller retail and service establishments having gross annual sales of less than $750,000, the $1 minimum would be applied 18 months after Congress acted, and not go any higher. No premium overtime pay would be required.

For employes of small laundries and dry-cleaning establishments, there would be no overtime premium pay rule, but a $1 minimum. Larger establishments having annual sales of more than $250,000 would come under the same minimum pay and overtime rules as large retail stores. This would be a foot in the door, a start toward applying the same pay rules to all sized businesses.

Twice Congress has increased the minimum wage, from 40 to 75 cents in 1949 and to $1 in 1956. But it has never extended coverage. On the contrary, it has always narrowed coverage while increasing the minimum.

Apparently, raising the minimum has more political appeal than extending coverage. If this is true, Congress may not extend coverage but increase the minimum somewhat.

A $1.25 minimum is at the top of the AFL-CIO's legislative demands this year. Later, a push will be made for $1.50 minimum. **END**

New job for dividends

UNIONS, which seem to try to make scape-goats of the companies for which they work, who are inclined to blame businessmen for every ill, and never give credit to them for the jobs they create, keep in touch with all their members through communications and bulletins, giving their side of the story to their members.

Why would it not be possible for all corporations to have printed matter, giving their side on laws that would hurt business or their answers on controversial questions, with every dividend check sent out to their stockholders, at the same time pointing out that what hurts the company will hurt them.

If there are 20 million stockholders, they are voters and they should be interested in protesting to their congressional representatives the passage of laws inimical to the welfare of business.

LEWIS M. GOODMAN
Miami Beach, Fla.

Spend, spend, spend

It might be well to express some of the many thoughts that ran through my mind as I read your last issue.

One item told how the lawmakers, in an election year aren't likely to ask voters to spend more for postage stamps, via an increase in postage rates.

Who are they kidding? Who pays the deficiency appropriation they always make to keep the post office going?

It is one of the Wonders of the World that the voters of the United States send men to Washington as their congressmen and that ends their representation for their people. They kiss the boots of the unions, hug the farmers around the neck and try to find some additional means of getting another vote with some cockeyed welfare deal that we do not need nor do many want, but it helps to spend, spend, spend.

In my opinion there doesn't appear to be a single congressman of sufficient stature to rally the support of the entire Congress to save, save, save.

R. R. WILLIAMS
Houston, Tex.

Lighting the inner spark

Your interview with Dean Weimer [February] interested me.

His answer to the following questions would lead to an illuminating discussion.

In addition to his specialty, has every School of Business graduate either in high school or college passed courses in grammar, spelling, business letter writing, psychology, logic, speech, salesmanship and leadership. If not, why not?

Businessmen will agree that with this background and the inner spark to get ahead a man will succeed. The elimination of any of the above is a handicap.

C. G. MOREHOUSE
Vice President
Marsh & McLennan-Cosgrove & Company
Portland, Ore.

"Cheerleading" brings rebuttal

Dr. Morley's article, "Here's the Way to Meet School Needs," in the January 1960 issue of Nation's Business, includes the statement ". . . Alabama . . . has been able to find educational funds for clinics to develop 'a positive approach to cheerleading' at its state university."

This statement has no foundation in fact. The recreational venture to which you refer was not financed by educational funds, and the volunteer group involved was permitted to utilize university housing and recreational facilities not otherwise in use at this time of year.

FRANK A. ROSE
President
University of Alabama
University, Ala.

► *Inquiry shows that funds to cover these Cheerleaders Clinics are provided by the Alabama High School Athletic Association and that the connected expenses of the University of Alabama are fully covered.*

Business controls

We have read with considerable interest the article, "Business Faces New Federal Controls," in your February issue. We believe the

BUSINESS OPINION

continued

members of this association would be glad to read this article and permission is requested to publish it in our *Credit World* for March 1960. The circulation of this issue will be 53,000.

A favorable consideration of this request will be greatly appreciated.

ARTHUR H. HERT,
Editor, The *Credit World*
National Retail Credit Assn.
St. Louis, Mo.

► *Permission granted.*

Training business "diplomats"

The American Institute for Foreign Trade, Phoenix, Ariz., should be added to John Gerrity's list of schools pioneering in the education of business diplomats (Nation's Business, February). A. I. F. T. started digging into the problem 13 years ago.

Operating as a graduate school and also offering key man programs, A. I. F. T. is now providing 300 trained men and "oriented wives" per year to banks, insurance companies and manufacturing firms engaged in world commerce.

LEONARD O. SMITH
Vice President
Gardiner C. Vose, Inc.
Detroit, Mich.

More on Politicians

"You Can Spot Office Politicians," December, was a wonderfully done piece of work.

VINCENT A. FRANCIS
Pacific Coast Manager
Television Network Sales
American Broadcasting Company
Hollywood, Calif.

. . . was particularly impressed by the article "You Can Spot Office Politicians."

PETER A. MARTIN
Editor
Employe Publications
Continental Can Company, Inc.
New York, N. Y.

The article "Management In The '60s: Training Leaders" is excellent.

R. E. WIELAND
Vice President
National Airlines
New York, N. Y.

Lost: $4 billion

In Management's Washington Letter (January) a "misplaced $4 billion" was described as a "statistical error in business volume done in

(continued on page 21)

The completely new Model 5500 is the most compact, versatile desk model postage meter mailing machine ever made. It is the result of years of research and development.

Hand operated, the 5500 stamps, seals and stacks envelopes quickly, efficiently. It prints postage for any kind of mail, in denominations from ½¢ to $1.09½; and with the meter stamp will print your own small ad, too...if you want one. Provides postage for parcel post on special tape. Always has the right stamp. The 5500 makes mailing easy, fast, accurate, worth its cost in convenience alone.

The meter is light, easily removable. Set by the postoffice for as much postage as you want to buy, it protects postage from loss, damage, misuse.

Date changes are made by turning a dial. The inker is an improved new type. Quick fill water container for moistening envelope flaps, has visible water level. Eye-level window shows amount of postage to be printed. Double registers show postage on hand, postage used. And the 5500 is as good looking as it is useful.

Ask the nearest Pitney-Bowes office for a demonstration, no obligation. Or send coupon for free illustrated booklet.

With the 5500, a quick turn of the handle prints postage, seals and stacks the envelope, makes mailing fast, easy.

FREE: *Handy desk or wall chart of new postal rates with parcel post map and zone finder.*

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Made by the leading manufacturer of mailing machines... offices in 122 cities. In Canada: Pitney-Bowes of Canada, Ltd., Dept. 383, 909 Yonge Street, Toronto.

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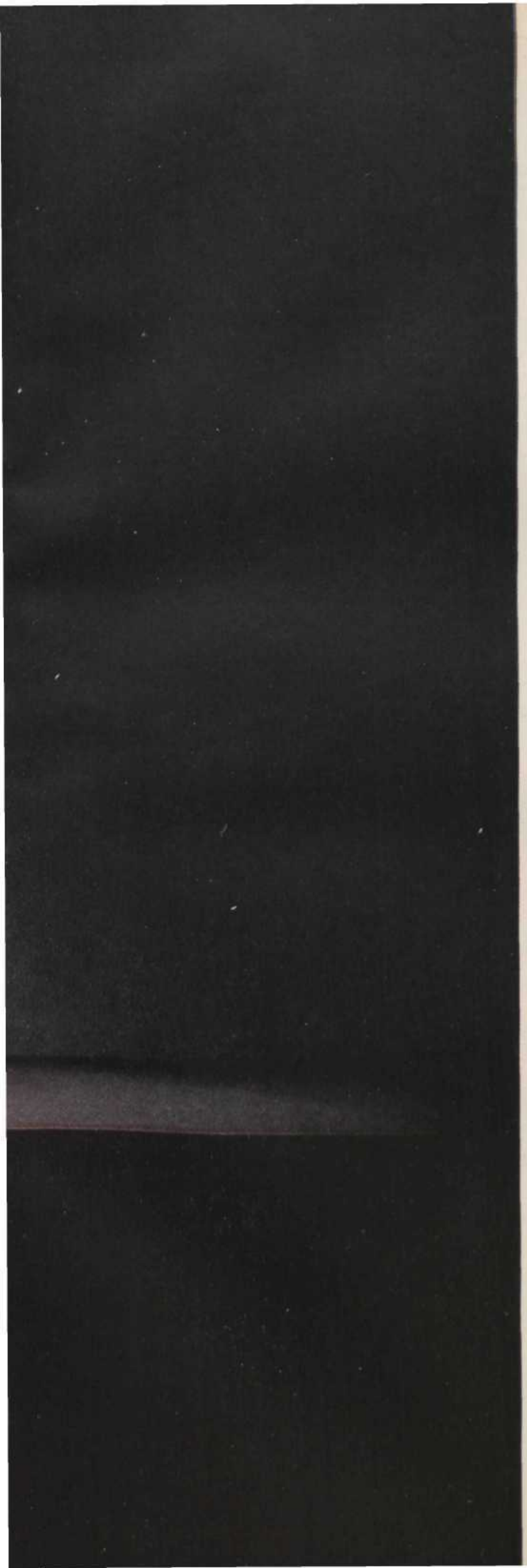
1383 Pacific St., Stamford, Conn.
Send free ☐ *booklet* ☐ *Postal Rate Chart to:*
Name ____________________
Address ____________________


IBM



The new IBM Electric: Its beauty is just a bonus

The first thing you notice about the new IBM Electric Typewriter is its good looks. But there's more. For here is beauty combined with precise function, the result of the most thorough approach to typewriter development ever devised.

MADE TO LAST

In the determination to create the very best typewriter possible, IBM engineers leave nothing to chance. Every conceivable quality test is employed. In one interesting experiment, a number of typewriters were connected to robot units and subjected to an intense endurance run. Operating at high speeds—night and day—each typewriter typed 56,000,000 characters in 138,750 tightly packed paragraphs on almost nine miles of paper. This is equivalent to 5 years of normal office use—yet the typewriters showed remarkably little wear.

The many new engineering achievements of the IBM Electric offer a measure of operating satisfaction never before attained. Among its many new features, one of the most important is the exclusive "Decelerator" for which a rarely awarded basic patent was received. A totally new idea, this unique invention ends the constant crash of carriage stops.

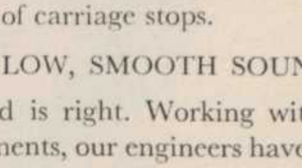
A LOW, SMOOTH SOUND

Even the sound is right. Working with sensitive recording instruments, our engineers have filtered out all harsh noises while preserving the low, smooth sound a typist needs to maintain typing rhythm.

Service, too, is an important part of the IBM Electric story. IBM Customer Engineers are thoroughly trained in every function of this precision instrument. They will keep your IBM Electric working at its very best for years.

Have our local representative show the IBM Electric to you. We think your secretary will find the prospect of working with it deeply satisfying. And you'll be impressed with the results.

THE IBM® ELECTRIC



Its beauty is just a bonus

BUSINESS OPINION

continued

1958." Can this change in evaluation based on the new Industrial Production Index properly be called an error? I wonder if this usage of the word "error" does not unnecessarily reflect discredit on the Index.

Could you provide a fuller explanation of what occurred to the misplaced $4 billion?

R. J. HAUGHTON
Employe Relations
General Electric Company
Schenectady, N. Y.

▶ *Gross national product in 1957 was originally recorded as $440.3 billion. In 1958 it was $437.7 billion. This indicated a dip in business volume of more than $2.5 billion—a measure of the recession.*

Revised figures show this: Gross national product in 1957 was really $442.5 billion and in 1958 it was really $441.7 billion.

The total for the year actually turns out to have been $4 billion higher than the earlier figure.

Parkinson gets another fan

We were charmed by your presentation on "Parkinson's Second Law" [January]. It's certainly the cleverest and most intelligent assay of the nation's tax situation ever published to our knowledge. We feel the message contained should have the greatest possible circulation in America.

H. D. MATTHEWS
Communications
Schlumberger Well Surveying Corp.
Houston, Tex.

Real meat

I enjoyed reading "How to Build a Winning Sales Team" very much. There is a good deal of real meat in the organizational suggestions you made.

B. J. OBEREMBT
Coupling Sales Manager
The Falk Corporation
Milwaukee, Wisc.

"How to Build a Winning Sales Team" was excellent. . . .

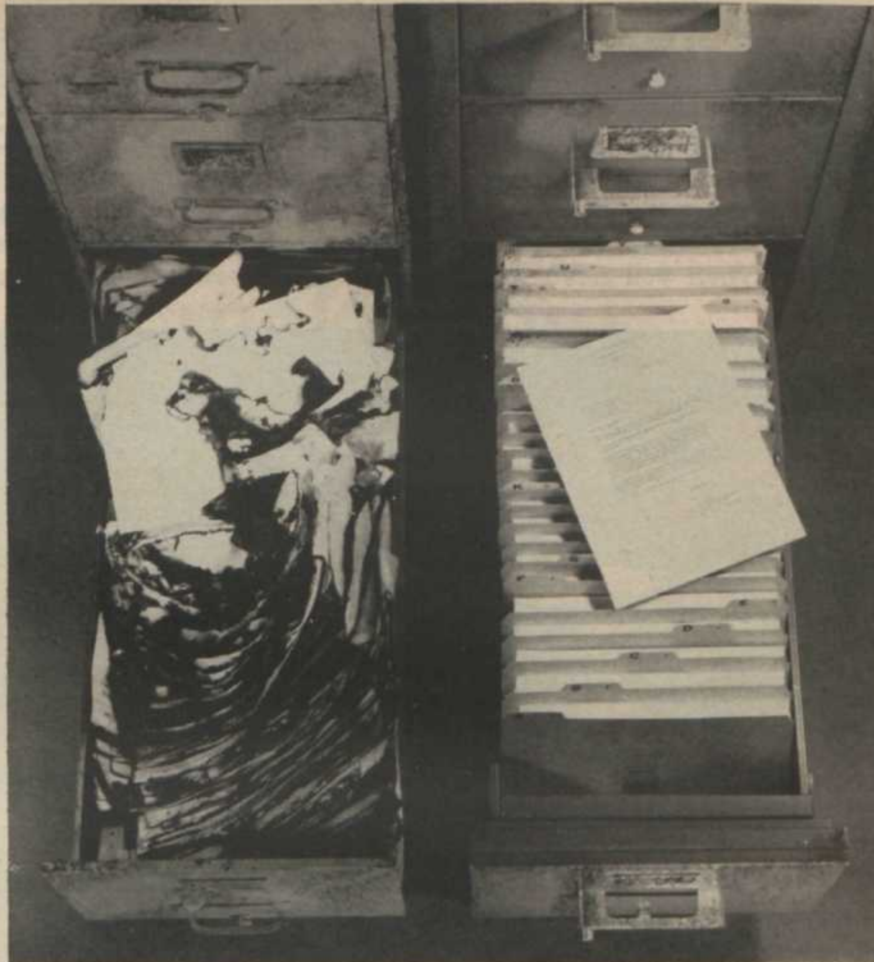
EVERETT E. GRIFFITH
Marketing Service Manager
Safeway Stores, Inc.
San Francisco, Cal.

Reprints go home

In the November issue you had an article entitled, "Featherbedding Hurts You."

We think this is an excellent article and intend to mail a copy to the home of each of our employes.

ALBERT LEWIS
Director, Industrial Relations
C. A. Norgren Company
Englewood, Colo.



What makes our Constitution strong

BY FELIX MORLEY

WHEN PRESIDENT EISENHOWER denounced "irrelevant interbranch wrangling," in his message to Congress at the opening of its present session, he was in effect asking for sober consideration of the most delicate and difficult problem which continuously affects the American form of government.

Our system was designed as one of divided and balanced powers among the three separate branches of government.

On the necessity of this principle of checks and balances the Founding Fathers were in almost complete agreement. There could be no dissent from the shrewd observation made by James Madison in the *Federalist* (No. 47):

"The accumulation of all powers, legislative, executive and judiciary, in the same hands, whether of one, a few or many, and whether hereditary, self-appointed or elective, may justly be pronounced the very definition of tyranny."

It is now 172 years since those words were written. Yet today Madison's warning points squarely at the concentration of power in the hands of Fidel Castro's gang. So it does at the tyrannies of the communist states and so it did, until their dictatorships were toppled, at Nazi Germany and Fascist Italy.

We may properly reverence the memory of those early Americans who so clearly understood the necessary political conditions of freedom. It is in large part due to their insight in drafting the Constitution under which we live that the United States remains the principal bulwark of freedom now.

When Madison so wisely insisted on separation of the legislative and executive functions he, of course, fully recognized that the two organs must work harmoniously together. It was, indeed, legislative rather than executive domination which he regarded as the greater danger for the infant republic.

For that reason, he argued, the Congress should have two separate chambers—a Senate and a House of Representatives—chosen "by different modes of election" and with "different principles of action." Only on rare occasions, Madison thought, would both chambers seek simultaneously to block the President. Seldom would both House and Senate muster the two-thirds majority necessary in each to override a presidential veto.

When the Constitution was drafted, moreover, there

WIDE WORLD

Political division does not prevent a cooperative effort between the President and congressional leaders Johnson and Rayburn

were no organized political parties as we know them today. For the first 20 Congresses—that now in session is the Eighty-sixth—there was no party caucus and no organization to align members either for or against legislation desired by the Administration. Consequently, relations between President and Congress were generally good and the former customarily had his way.

Since there were no well defined parties there was little maneuvering for partisan advantage, not even in a presidential election year.

With the development of strong political organiza-

tion, in Andrew Jackson's time, all this changed. Party loyalty began to become paramount and it was therefore important for the President to have a majority in both houses of Congress. Without this backing he could never be sure of accomplishing his legislative program. This was frequently demonstrated—most dramatically during the last half of Woodrow Wilson's second term.

Under Mr. Eisenhower the pendulum has swung back and the original relationship between President and Congress has been largely restored. As he emphasized in this year's State of the Union Message, "no other President" has ever "worked so long with a Congress controlled by the opposition party." And this condition may cease to be unusual. Already some are predicting that, come November, a Republican will again receive the White House keys, but with a Congress—the Senate almost to a certainty—under Democratic control.

Such a splitting of ballots means a weakening of partisanship, a phenomenon which is more important than the various reasons which explain it. One of these, undoubtedly, is the seriousness of a world picture that discounts loyalty to party. Another is the definitely nonpolitical training and character of President Eisenhower, who habitually thinks and acts as a national rather than as a party spokesman.

There are other reasons, but all are secondary to the notable fact that, in the last three Congresses, both Houses have had Democratic majorities with which a Republican President has worked, on the whole, harmoniously. Certainly Mr. Eisenhower has

CULVER

UPI PHOTO

President Madison, 172 years ago, spoke a warning which points at the concentration of power now in the hands of Fidel Castro

not always had his way, and is not getting all he advocates right now. Yet he approaches the end of his second term with a solid record of accomplishment, not less substantial because it may be criticized both from Right and Left.

The evidence of 1960 thus confirms the political theory of 1787—that a balance of forces in government is conducive to stability rather than to disorder and that our federal system provides an invaluable safeguard against the troubles that come when power is strongly centralized. To these, the problems that beset General de Gaulle, in highly civilized France, bear tragic witness.

The skillful architecture of our political institutions, however, is not of itself enough. The Constitution of Cuba was closely patterned on our own. Yet its unhappy people have seen their freedom oppressed by a succession of cynical dictatorships, each tending to be more ruthless than its predecessor.

Just as important as our brilliantly drafted Constitution is the basically religious sense of tolerance, forebearance and mutual good will which the American people, for the most part, still fortunately possess. It was to this virtue, among our representatives in Congress, that Mr. Eisenhower appealed when he said that the "common goal" of all must be placed ahead of "irrelevant interbranch wrangling."

Now, two months after this was urged, it can be said with certainty that the admonition has been well heeded. In the setting of an election year, that is the more remarkable.

• • •

Certainly speeches are being made, and votes in both Houses are being cast, with an eye to the November elections. It could scarcely be otherwise at a time when the contest for the Democratic presidential nomination is so close and unpredictable. In both Houses, however, the opposition leadership is consistently playing ball with the President, an expression which does not mean knuckling under, but does imply cooperative effort toward an outcome which can be accepted, if not approved, by all. In this cooperation it must be said that excellent liaison between the President and Congress, something which Woodrow Wilson was never able to establish, has played a part not less important because both unobtrusive and unadvertised.

Of course, not everyone in Congress is pleased with the present relative harmony in our political life. Senator Gore spoke for a number when he asserted angrily that: "As a result of the constant compromise with principle we ended the [last] session in virtual rout on economic issues." Yet, when the thus challenged leadership of Senator Johnson was put to the test of a party caucus, it was sustained by a majority of more than four to one.

Both at home and abroad there is now much to worry any thoughtful person. So it is significant, as well as comforting, to note that the operation of our well tested political institutions is not among the causes of anxiety. They function smoothly partly because of their extraordinarily skillful design, but perhaps even more because of the prevailing common sense among most of our elected representatives.

It follows that it is a first responsibility of citizenship to ensure that well-balanced men continue to sit in Congress and in the White House. For the excellent machinery of government that we have inherited could easily run wild if entrusted to irresponsible hands.

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Candidates risk setback despite Truman warning

BY EDWARD T. FOLLIARD

FORMER President Harry S. Truman once said that presidential primary elections were "eyewash," a waste of time and money. He still talks that way, and many politicians agree with him.

Still, before the spring of 1960 gives way to summer, the primary elections will almost certainly have narrowed the field of entries in the Democratic presidential race. At least one of the candidates—either Sen. John F. Kennedy of Massachusetts or Sen. Hubert H. Humphrey of Minnesota—is going to get trampled and fall by the wayside.

The first of the primaries, which takes place March 8 in New Hampshire, won't mean much this year. Vice President Richard M. Nixon is assured of the Republican delegates in the Granite State, and Senator Kennedy has sewed up the Democratic delegates there.

But the second primary, that of Wisconsin on April 5, promises to be chock full of excitement and significance, and a pitfall for either Senator Kennedy or Senator Humphrey.

These two, the only avowed major candidates for the Democratic presidential nomination in '60, will be campaigning furiously in Wisconsin until the time for balloting. At stake will be 31 delegate votes at the Democratic National Convention, opening July 11 in Los Angeles.

It is a curious battle in a sense, this one in Wisconsin, because Senator Kennedy and Senator Humphrey are both trying to picture themselves as underdogs. Associates of Senator Kennedy point out that Wisconsin is a neighbor of Senator Humphrey's own Minnesota. The Humphrey people note that their man is going into the Wisconsin primary in spite of the fact that Senator Kennedy has been a 60-40 favorite in popular-opinion polls taken in that state.

Senator Kennedy says that the Wisconsin primary could have a decisive effect on the choice of a Democratic presidential nominee at Los Angeles. He believes that if he defeats Senator Humphrey there, the Minnesota lawmaker will be eliminated as a contender.

But suppose that it is Senator Kennedy who is defeated in Wisconsin: What would be the effect on his candidacy? Well, unless he had a good alibi, he certainly would have trouble getting a bandwagon rolling, and the chances are that he would be knocked out of the race altogether. He acknowledges as much.

Despite Mr. Truman's disparaging remarks about primaries, these spring contests have on occasion had

WIDE WORLD PHOTOS

For Senator Kefauver primary victories meant little. They helped Governor Dewey

great influence on national conventions. It is true that in 1952, the year that Mr. Truman made his eyewash crack, Sen. Estes Kefauver of Tennessee cleaned up in the Democratic primaries, only to be beaten at the '52 Chicago convention by Gov. Adlai E. Stevenson of Illinois, who had taken part in no primaries and had no bag of delegates to match the Tennesseean's.

On the other hand, instances can be cited where primaries have made or broken contenders for the nomination.

Thus, in the Wisconsin primary of 1944, Gov. Thomas E. Dewey of New York got the lion's share

of the delegates, and went on to win the Republican presidential nomination. Wendell Willkie, who had been the Grand Old Party's nominee in 1940, ran behind Harold Stassen and Gen. Douglas MacArthur in that 1944 Wisconsin primary. He got no delegates at all, and promptly withdrew from the race.

Again, in the Oregon primary of 1948, Governor Dewey whipped Harold Stassen, and once more became his party's standard bearer.

In New Hampshire in 1952, Gen. Dwight D. Eisenhower walloped Sen. Robert A. Taft of Ohio, thereby demonstrating for the first time that he was a spectacular vote-getter. It was a portent of what was going to happen at the Republican convention later on in Chicago, for Senator Taft really had little chance after that.

UPI PHOTO

WIDE WORLD

Secretary McElroy said Russia had lead in missiles, Secretary Gates says not

The question in recent weeks in Washington has been: What will the Democratic presidential nomination be worth to the man who gets it?

The Gallup poll, which has had Vice President Nixon well out in front, has caused a good deal of pessimism about the Democratic Party's prospects in November's election. This is so serious that Senator Kennedy and others have brought it out into the open.

Senator Kennedy denounces "this talk that we cannot win."

"I think we will win," he says.

Sen. Stuart Symington of Missouri and Sen. Lyndon Johnson of Texas, two other presidential hopefuls, also have sought to explode the mood of defeatism, with Senator Symington saying that "1960 is another 1948, if there ever was one."

Senator Kennedy, the most outspoken of all those in the Democratic race, says that Senator Johnson is his most formidable rival, and after him Senator Symington. The New Englander doesn't refer to former Governor Stevenson as a rival. However, he says that if he himself fails to get the nomination, then the Los Angeles convention probably will turn to the Illinois statesman.

Turning now to the Republican strategists, they believe that they are in good shape, as respects both a standard bearer and issues. They are counting on two issues that over the years have been proven vote-getters—prosperity and peace.

Nearly all economists agree with them that this is going to be a good year. Whether the peace issue stands up will depend, of course, on Soviet Premier Nikita S. Khrushchev.

Nobody can say for certain at this time what will influence America's voters when they go to the polls in November. A lot of things can happen in eight months, and doubtless will.

The hottest argument here this winter has centered on the Eisenhower Administration's defense program. It is a confused argument, with some of the Pentagon's own generals taking opposite sides, and therefore a difficult one for the average American to appraise. To make it even more bewildering, the argument is not about America's strength as of today but what it will be compared to Russian strength in the years ahead.

Last year Neil H. McElroy, then Secretary of Defense, said that if the Soviet Union built all the ICBM's, or 5,000-mile ocean-crossing missiles, that it was capable of building, and the United States built *only* the number that it planned to build, then the U.S.S.R. would have a three-to-one lead over the U. S. A. in the early 1960's.

Thomas S. Gates, Jr., the new Secretary of Defense, told Congress this year that, as a result of new studies, "we do not believe that the Soviet superiority in ICBM's will be as great as that previously estimated." He defended the Administration's program as adequate.

Lt. Gen. Bernard A. Schriever, head of the Air Force's Research and Development Command, later testified that the United States is committed to a No. 2 place behind the Soviet Union in the missile race through 1961, and that nothing can be done about it.

Nobody challenges the Soviet Union's lead in space exploration. The Russians beat us with the first sputnik; they were first to hit the moon, and also the first to photograph the back side of the moon.

• • •

Sen. Thruston B. Morton of Kentucky, chairman of the Republican National Committee, has criticized Democratic critics of the Administration's defense program, saying:

"These politically motivated critics, with their paper hats and wooden swords, stand as a forlorn and pathetic army of play warriors alongside a proven soldier-statesman of President Eisenhower's tremendous stature."

Not all the criticism is politically motivated. Some men in Congress—men who have not yet opened their mouths—don't like the idea of Russia being top dog in the missile and space fields.

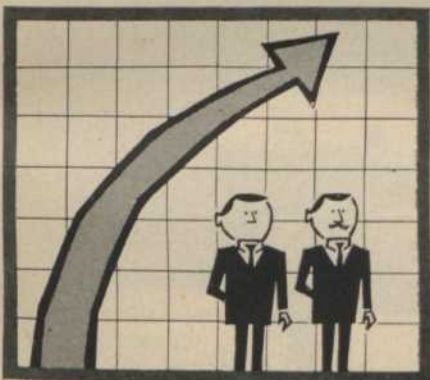
For one thing, it hurts their pride. They think that the United States, with its wealth and resources, ought to be No. 1. Moreover, they are concerned lest a second-best position weaken President Eisenhower at the council table with Premier Khrushchev, and also cause our allies to lose faith in Uncle Sam.

Businessmen discover how to raise large sums when needed most

CASE #659 HOW A JUMPING PRICE WAS CONTROLLED

This actual case* involved a three-year-old business worth $50,000—and increasing every minute! Both partners were 30 years old. Each wanted to be able to buy out the other in case of death.

What happened: The *attorney* for the partners drew up an agreement



which enabled either partner to buy out the other—at a specific price, which would be adjusted each year.

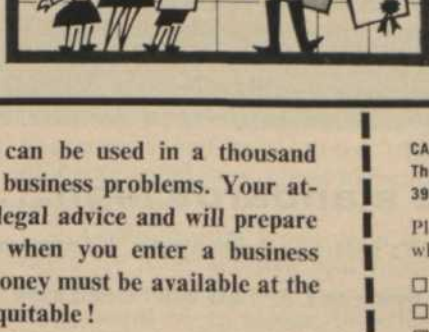
The partners' *Man from Equitable* made the agreement workable. First, he provided each partner with a $25,000 policy on the other's life. Second, on each policy he added an OPAI—that is, an Option to Purchase Additional Insurance. This option guaranteed them the right to make successive purchases of $10,000 at ages 31, 34, 37, and 40—regardless of their state of health in the future. Their agreement and insurance plan now help them adjust to a growing situation.

CASE #447 HOW A FAMILY HUNG ONTO ITS OWN COMPANY

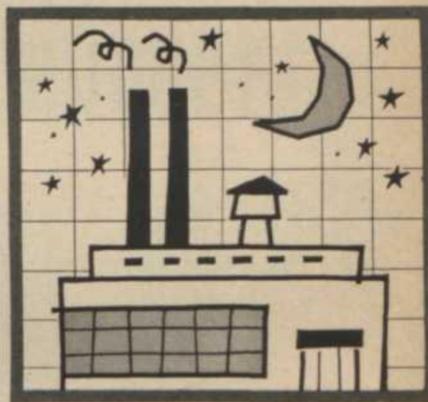
In an actual case*, a man owned a close corporation worth $700,000—the major asset in his estate. If he should die, his death taxes and expenses would be about $140,000. This probably could not be raised by selling a minority interest in the business. It is doubtful anybody else would want a minority interest if his family retained control.

What happened: The owner's *attorney* suggested that arrangements be made for the corporation to buy enough shares from his estate at death to furnish the needed money. (This stock redemption would qualify under Section 303 of the Internal Revenue Code, and would not be taxable as a dividend.)

The corporation's *Man from Equitable* provided the corporation with $150,000-worth of insurance on the owner's life. The corporation would pay the premiums and would be designated beneficiary. If death costs were less, the excess would serve the corporation as key-man insurance to help the business through the adjustment period.



CASE #258 HOW $90,000 WOULD BE RAISED OVERNIGHT



In an actual case*, two men owned equal shares in a $180,000-corporation. They agree that, after the death of one, the survivor should buy out the decedent's interest. But where would the purchase money come from? The way they wanted the plan to work out, the survivor would need the funds shortly after the decedent's death. Overnight, as it were.

What happened: The corporation's *attorney* drew up a purchase and sale agreement, providing that the stock of the first to die would be purchased by the survivor.

The company's *Man from Equitable* made this agreement workable. He provided each of the men with a $90,000 policy on the life of the other. This meant that each would have exactly the right amount of funds at the moment when they were most needed.

**All identifying data have been changed*

Living Insurance for business purposes can be used in a thousand ways. Perhaps it can solve some of your business problems. Your attorney, of course, will provide you with legal advice and will prepare your business agreements for you. But when you enter a business agreement—where the right amount of money must be available at the time you need it—call The Man from Equitable!

THE Equitable

LIFE ASSURANCE SOCIETY OF THE UNITED STATES

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NB-3

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- ☐ **#659**—*How A Jumping Price Was Controlled*
- ☐ **#447**—*How A Family Hung Onto Its Own Company*
- ☐ **#258**—*How $90,000 Would Be Raised Overnight*

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THE UNTOLD STORY OF THE U.S. BUDGET

Yesterday's federal commitments are becoming the future's uncontrollable financial burdens

THE REAL COST of government is being glossed over in official documents and in news stories about federal spending.

It's being buried in debate over whether the $79.8 billion the President estimates for fiscal 1961 spending is enough.

Public attention is centered on current outlays. But unseen spending commitments of $700 billion lie beneath the surface.

Continued spending of the time-bomb variety could cripple economic growth. That's why the spending momentum now built into the fiscal process is so much more important than the $79.8 billion spending estimate and the $84 billion in revenue hoped for in the year beginning next July.

These and details of the proposed amounts in the Administration's fiscal plans for '61 are the figures that are being fought over in this political election year as Congress acts on appropriations to pay government's bills presently coming due.

The spending and the revenue amounts in the budget probably won't hold up in the first place. They rarely do. A lot can happen in the 18 months between the budget message and the end of fiscal 1961. There will even be a new President.

Today's bills and next year's estimates are important. But the really meaningful figures are the increasing commitments and unknown ultimate costs of U. S. spending. To a large degree spending has slipped beyond the control of federal policymakers. Drastic policy switches to save vast sums of money are now almost impossible. Or, at least, in recent years they have been found impractical. During the eight years of President Eisenhower's administrations, the annual budget will have risen by more than $12 billion. Total spending will have exceeded that of the Truman Administration years by 47 per cent. Spending has increased half again as fast as U. S. population.

This has happened during an Administration dedicated to fiscal responsibility and economy.

The long-run impact of U. S. spending decisions can be appreciated only with a knowledge of the following little-publicized entanglements that are the real story behind the budget:

1. Some continuing government activities possess a vegetable-like growth which creates an area of rapidly increasing expenditures. The growth rate is currently about $2 billion each year.

2. A huge part of the budget is made up of programs—defense is the biggest and best known—that probably must stay large for some time to come.

3. Commitments Uncle Sam has made for past services and future benefits have obligated the country to payment of an almost unbelievable total of $700 billion.

When the President submits his spending recommendations to Congress each year, it isn't really a new budget. It's more like putting on a couple of new tires or installing a new battery in the old car. Similarly, much of the old is in any new budget.

Few programs the federal government initiates today are short-term operations. Almost every activity becomes a permanent fixture. Many of these fixtures continue to swell and crowd against other parts of the budget, forcing the total even higher. What's more, some programs of the past are using and committing tax money that perhaps should be saved for vital future needs that can't now be foreseen. They fall into three classes.

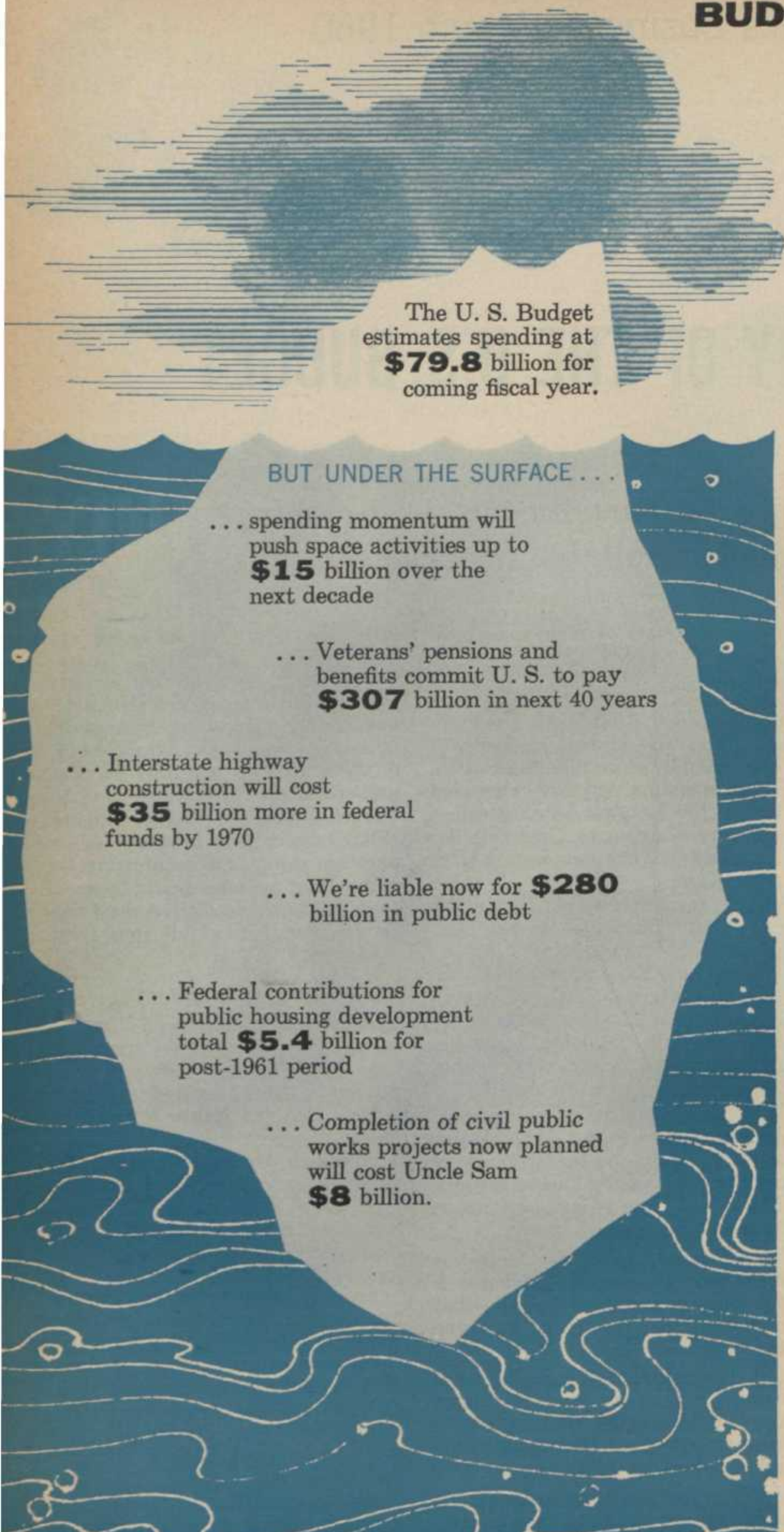
1. Spending at a sprint

President Eisenhower, in his budget message, invited Congress to help him "allocate our resources prudently (and) extend economic growth into the future without inflation."

Although the new budget was generally considered typical of his attempts at fiscal restraint and conservatism, it is well sprinkled with examples of fast-blooming built-in increases.

Federal spending in preparation for civilian exploration of outer space has soared from a comparatively modest $145 million in fiscal 1959 to $325 million this fiscal year, and $600 million is expected for the coming fiscal year. Even more than this may be spent. Both the head of the space agency, Dr. T. Keith Glennan, and Democrats in Congress are talking about boosting this estimate. In the near future spending for space activities may reach $2 billion a year.

Federal grants for slum clearance



and urban renewal have climbed from $75 million in fiscal 1959 to $145 million in 1960 to an estimated $168 million for fiscal 1961.

The President recommended lower total spending in the housing area by such moves as abandoning the long-standing programs of direct loans for veterans' and college housing. Congress, on the contrary, is blandly pushing ahead with new legislation to provide more money for slum clearance projects, college housing loans and housing for the elderly.

Loans for students under the National Defense Education Act have grown from $78 million to $134 million to $170 million from fiscal '59 to '61. Meanwhile, dreams of multibillion-dollar federal grants for school construction, that have long danced in the heads of many congressmen, may come to pass this year. If such federal legislation is enacted it probably would become another area of fast-expanding, built-in spending.

The Commodity Credit Corporation, which has the vast job of buying, handling and storing crops and supporting farm prices, will be a more expensive agency by about $406 million over the $3.5 billion fiscal 1960 spending. The National Institutes of Health, the federal public health research centers, will put out $26 million more for the next fiscal year. Economic assistance under the Mutual Security program will cost $200 million more in '61; the Development Loan Fund, a new international lending agency, will spend $25 million more.

The worth of some of these expanding programs is above challenge. But even necessary federal activities can snowball beyond their proportionate worth.

2. What stays big

Other expenditure sections of the complex federal budget are not moving ahead at a sprint, but will surely stay high into the future. Equally important, they help to narrow the area of budgeting flexibility and

widen the scope of spending that is subject to little control or reduction. National security expenditures, which make up about 57 per cent of budget outlays, have remained fairly stable, though the emphasis has changed greatly. They are not like spending in the labor and welfare category, which has shot up more than 75 per cent since 1954.

The carrying charges on the national debt are also huge and relatively uncontrollable. Second only to defense spending, the interest on the debt—estimated at $9.6 billion for '61—is determined mostly by market conditions for borrowing.

Another automatic wedge of expenditure in each year's budget is grants-in-aid to states and local governments. These are fixed by formulas. Public assistance, the basic program for the needy, will cost more than $2 billion in federal payments in fiscal '61.

3. *What we really owe*

Beyond the year-to-year outlays of both fast-rising and steadily growing U. S. expenditures, Uncle Sam's commitments for future spending have reached gigantic proportions.

First, the public debt has reached a level which President Eisenhower estimates at $280 billion for fiscal 1961 if Congress cooperates in holding down spending, if revenues hold up and if the hoped-for $4.2 billion surplus is applied to debt retirement.

The program of pensions and compensation for veterans, which will cost about $433 million in payments just for fiscal '61, is obviously expensive even on a current basis. But by the end of the century unpaid benefits are expected to total about $307 billion under existing laws.

Military and Civil Service retirement have piled up a liability currently estimated at $58 billion. This is a commitment of the federal government for which it is responsible as an employer.

The interstate highway system envisioned in the Federal Aid Highway Act of 1956 is to be a 41,000-mile network of interstate and defense highways. Though the financing of this project has been by a special fund, it will still cost around $35 billion more to complete after the coming fiscal year.

A number of other federal functions—such as the maritime ship replacement program and public housing—have created billions of dollars in future commitments. One of the most political is civic public works projects.

In the battle of the budget on Capitol Hill last year, Congress failed in many attempts to override President Eisenhower's veto of measures he thought would be too expensive. On only one bill—the omnibus public works bill which gave starts to 61 new rivers, harbors and other projects—was the presidential veto overridden. This bill (it provides money for projects in many a congressional district) was fiercely opposed by the Administration. However, in this election year, the President has recommended 42 new reclamation projects. Though the initial cost is put at only $38 million, the eventual cost will be $496 million.

Accrued expenditure appropriations, such as appropriations for public works, have an iceberg aspect. All you see is what's above the surface—such as the $38 million that would be spent in fiscal '61 to begin the projects. Submerged is not only the rest of the $496 million it's now estimated the projects will cost, but the eventual actual cost figures. Studies have shown eventual actual costs are roughly twice what was originally calculated for public works.

Public works for reclamation projects, waste treatment facilities, hospitals, flood prevention, airports, and other facilities now being built are figured to cost about $6.4 billion. Add to this $1.5 billion in new projects of all sorts, and the total future commitment under present legislation is nearly $8 billion.

Add together all the commitments made in the name of Uncle Sam and it leaves the American taxpayers with future obligations of more than $700 billion.

U. S. Budget Bureau Director Maurice H. Stans notes that we spend billions on carrying charges on the national debt but rarely reduce the principal; we spend billions on farm price supports to reduce surpluses and instead surpluses increase; we conduct big federal programs which states and cities can better administer; we lend money to special groups at lower rates than the government itself has to pay to borrow; and we perpetuate and enlarge programs which have become obsolete.

"We are a nation of people who have achieved much because we have believed in enterprise, in technological advancement, in creativity on a wide front. . . . On the political front we must be equally dynamic and purposeful," Mr. Stans declares.

Mr. Stans has made several suggestions to President Eisenhower for improving the budget process to gain more control and efficiency. They include, for example, more long-range budgeting with forecasts for five years instead of one to get a better view of which budget areas will be eating up more of revenues in the future. The recommendations also include suggestions for packaging the budget information in more understandable format and with more useful data; increasing the use of performance standards for various programs and activities as these standards are used in industry; providing score-keeping reports with up-to-date running information on congressional actions that affect the budget and spending during a congressional session.

Meanwhile, some economy-minded members of Congress will continue to press this year for long-sought reforms in the budgeting process that Mr. Eisenhower has called for repeatedly.

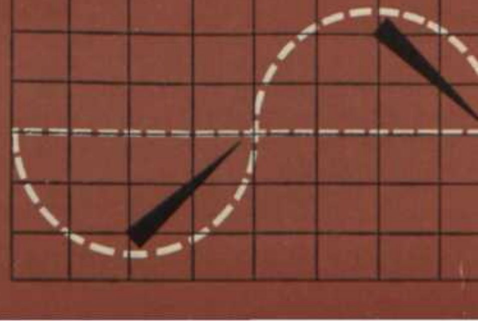
One such reform would allow the

(continued on page 95)

CONSUMERS WILL EASE NEXT RECESSION

The anti-cyclical consumers . . .

Consumers tend to accelerate their spending before recession ends. In boom periods, you can look for them to begin to restrict their spending before the boom has run its course



Power to buy or not to buy is most effective shield against downturns

A NEW STABILIZING FORCE has developed in our economy.

It's the American consumer.

By stepping up or restricting his discretionary spending, this important citizen is now playing a key role in maintaining economic stability. His behavior in the next decade or two could make it possible for us to put less reliance on government action to soften the sting of recessions.

The consumer's effectiveness has already been demonstrated. Along with the automatic stabilizers that have been built into the nation's economic machinery, he has helped to make our three postwar recessions fairly short and mild.

Studies of consumer attitudes by the Survey Research Center of the University of Michigan over the past 12 years suggest that he will continue to fill his new role in the future.

These studies have shown that consumer sentiment is governed by fairly stable features which, although they influence the business cycle considerably, rarely have been analyzed.

Our analysis refutes the belief that consumers are uninformed, suggestible, subject to manipulation and therefore inclined toward excessive behavior.

It suggests rather that they are inherently conservative and sane and that the unorganized masses resist the spread and exaggeration of rumors more easily than do cohesive groups. To be sure, certain consumer attitudes and expectations change frequently and substantially. This causes fluctuations in purchases of discretionary goods. Also it is possible for the consumers to lose their determination under the influence of repeated severe shocks. But such reactions are rare and brief.

Five findings by our surveys provide useful keys, not only to how consumers may respond to a given situation, but why they react as they do.

1. *In time, people become bored with good news as well as with bad news.*

For most people, only what is new to them is news. In the winter of 1954-55, rising sales and production were news. So was the automobile boom later in 1955 and the growth of plant and equipment expenditures in the first half of 1956.

But after two or three years of continuous growth, news of progress causes less and less reaction. People are more likely to notice, and to watch for, news of divergent tendencies. Similarly in recession, people grow tired of bad news and become more sensitive to good.

Furthermore, after a few years of continuous good news people are likely to notice slight divergent tendencies and watch out for them. They react similarly in a recession. When the tempo of decline no longer accelerates and unemployment stops growing, many people get accustomed to the bad news and are more sensitive to good news.

This tendency to overemphasize the unusual leads consumers, in good times, to withhold purchases, thus preventing a runaway boom. In depression, it encourages them to spend, thus shortening the downturn.

2. *Business news is compared to personal experiences, one's own situation.*

This does not mean that a government employe or a professor with a stable job ignores news of a recession. These people belong to groups and are influenced by what happens to their friends, their community, and their country. But all families are not better off in prosperous times and not all are worse off in a recession, because some businesses do not participate in the general trend.

For families whose income remains unchanged when everybody else's goes up, things are truly bad. For families whose income remains unchanged when everybody else's goes down—this is the impression many people get during a recession—things are good.

In 1954, for example, many people who heard about a forthcoming depression found reassurance in the fact that they themselves were not affected. They then stepped up their spending and anti-recession tendencies were set in motion. Similarly, early in 1957, many people felt that they had not shared in the general boom and acted accordingly.

3. *Levels of aspiration are only slightly above levels of achievement.*

Achievement does not fully satisfy people. A person who has finally reached a goal which, a few months ago, seemed to him ideal, will soon raise his sights and strive for further advancement. Similarly, after a consumer has bought a house, a car, a washing machine, or clothes dryer, other previously suppressed needs and desires arise.

This tendency to raise our sights following accomplishment or to lower them after failure or frustration seldom leads to excesses. Usually it follows closely the actual *(continued on page 55)*

WHERE UNIONS GET POWER

Recent reform measures do not affect these five sources of labor strength

THE THREAT of new and crippling strikes is arousing growing public demand for an answer to the question:

What can be done, in the public interest, to control the power of union labor?

Any sound answer to this question must be based on a sound analysis of the sources of union power. This is not easy because union power comes from an accumulation of protective laws, privileges and practices which lie, unrecognized, beneath the surface of union activity.

Neither the new Landrum-Griffin law, nor any other measure now being seriously considered, will deal with these sources of power. These measures treat with symptoms, not causes.

Individually, the laws, privileges or practices that contribute to union power can be met by countermeasures. Together they make unions almost invincible. They can be grouped in five categories:

- Exclusive bargaining rights.
- Compulsory union membership.
- Coercive power.
- Legal immunities.
- Political power.

Although the end of the 116-day steel strike temporarily brought a lack of interest in new curbs on national emergency strikes, a repetition of that experience is possible and not necessarily far away.

It can happen again not only in basic steel, but in other important industries on which the country depends for its economic sustenance and for military defense.

It can happen in the railroad, aircraft and missiles industries, where major labor-management negotiations are in progress.

It can happen later in electrical and automobile manufacturing, in atomic energy, in truck transportation, in coal mining, and in many other industries.

It can continue happening until legislation is passed to deal, not only with the symptoms, but the sources of union power.

What is needed is legislation to cope with these sources of union power:

Exclusive bargaining rights

The Wagner Act in 1935 provided that a union selected by a majority of the employes in an establishment shall be the collective bargaining representative of all of them.

Our country and Canada are the only countries

where unions have that privilege. Elsewhere unions usually represent only their members.

Our law gives the union power to speak for all employes and all employes are subject to the terms of the labor contract, whether or not they are in the union. Thus the worker who does not wish to belong to the union is denied the right to bargain for himself; to earn more by working longer hours, or for less pay if it means having a job at all, or to work instead of striking.

Union leaders insisted on this right to represent all employes, yet now they try to force membership on nonunion workers by accusing them of being "free riders."

Compulsory union membership

More workers are becoming "forced riders"—being forced to join a union to hold a job despite the steady rise—to 19—in the number of states with right-to-work laws which forbid this.

In the past five years the number who have to join has increased from 64 to 74 per cent, according to a recent study by the Bureau of Labor Statistics of 1,631 labor contracts covering 7.4 million workers.

If those who joined voluntarily and can't withdraw are included the percentage is 81.

In states with right-to-work laws, where the union may not negotiate a labor contract forcing employes to join, a device to get the worker's dues money—if not his membership—is being used. It is called the agency shop.

The agency shop requires that a worker who does not join must pay the union the equivalent of union initiation fee, dues and assessments, or lose his job.

The United Steelworkers negotiated such a clause in the new basic steel agreements. The payments are called a service fee.

With these devices the union is able to solidify its position as bargaining agent because of its disciplinary power over union members.

Two members of the International Association of Machinists were expelled for supporting the California right-to-work referendum, which the union opposed successfully in 1958.

These men may keep their jobs because, under Taft-Hartley, they can be forced to leave only if they fail to join the union or are expelled for nonpayment of dues. But they no longer will have any voice in union affairs, although under the law they must accept the union as their representative. A California court recently upheld this action as being within the union's prerogatives.

A union also acquires financial strength by collecting dues from all employes whether they want the union or not.

Unions collect between $600 million and $700 million annually in dues and fees, enabling them to build large treasuries and strike funds.

Compulsory unionism is a major issue in Congress and the state legislatures. Right now action seems to be at a standstill, with neither side able to gain ground, but this could change with a change in political climate and composition of legislative bodies.

Unions would like Congress to repeal Section 14(b) of the Taft-Hartley law which allows states to pass right-to-work laws, thus disposing of the unions' problem in one swoop. Major business organizations want Congress to pass a national right-to-work law.

Coercive power

Unionism is the very symbol of coercion. Even routine collective bargaining, for instance, is coercive because it is backed by the threat of a strike.

More obvious are the coercive features of strikes, picketing, violence and boycotts.

Besides coercing employers, strikes and picketing also coerce employes or others who may want to work but are prevented from doing so. When they engage in mass picketing and violence, unions take the power of law into their own hands.

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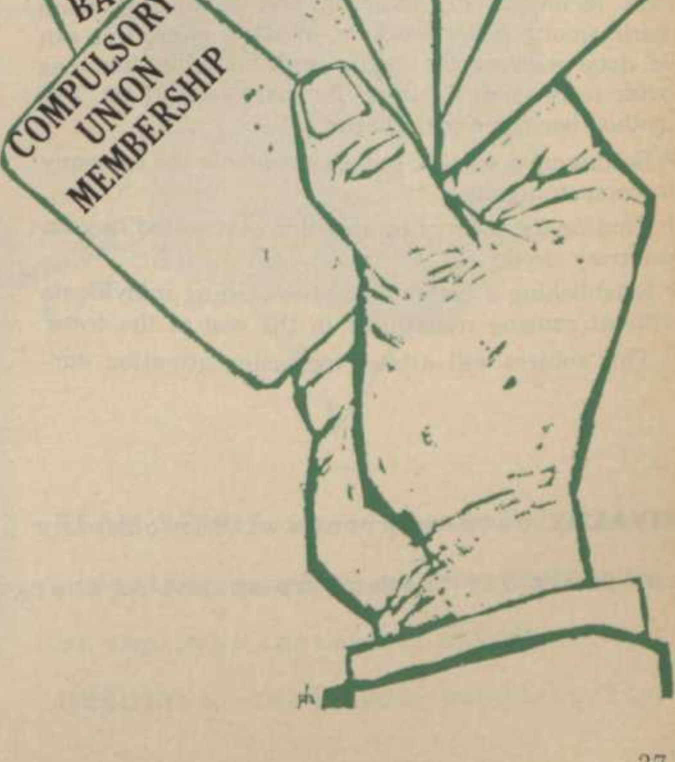


PUT COMPETITORS TO WORK FOR YOU

Here's a fresh approach to raising productivity

A NEW WAY of developing team effort among employes can help you put the zest of competitive spirit into your people without provoking office rivalries. In many cases, the technique can even be used to counteract existing group conflicts.

Every organization, however large or small, is subject to friction between its various parts. Attempts to spur productivity by generating team spirit often tend to increase this tension.

The corporation finds its divisions and scattered plants battling each other for priorities on funds and for recognition by top management. Companies of intermediate size encounter clashes between groups with different ideas on expansion. Smaller firms have conflicts between men with different functions—the sales end of the business and the producers each feel that their contribution is most important to success.

These rivalries can be both a blessing and a curse. They can spur aggressive action, but they can also drain off a tremendous amount of energy in futile wrangling. Every company would like to take advantage of the competitive spirit without suffering its destructive effects.

It is now becoming possible to do this with a practical technique for building and channeling team spirit among fellow workers. What is more, this can be done without the vague sentimentality that has made team spirit a subject for jokes in the past. The method has three main parts:

▶ Setting up a specific opponent outside the company to compete against.

▶ Finding the form of competition best suited to your company needs.

▶ Establishing a better way of rewarding individuals without causing resentment in the rest of the team.

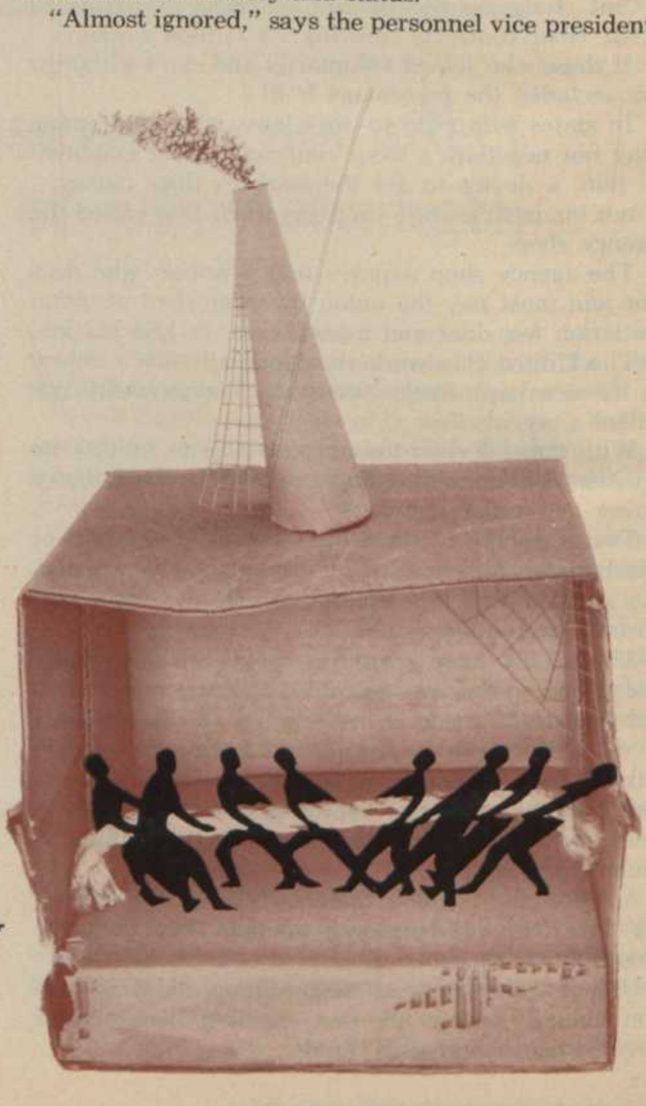
This subject will attract increasing attention during the next several years, as new refinements are developed. But you can start right away to use the principles now known for pepping up a department or a whole company.

Just how much fanfare and formality you want is up to you. Companies that feel the need of a big booster shot can set up a major program with posters, publications and prizes. Others can apply one or two of the ideas quietly in the course of doing business as usual.

In the past few months, personnel specialists have been impressed by the fact that team spirit has become a neglected subject in U. S. business. Several decades ago, it was often invoked in an attempt to make workers produce more, but it was so much abused and overworked that the very idea came to be ridiculed. The image of an aggressive boss giving his people an oversentimental pep talk about "all pulling together for our company" has understandably frightened us away from the method ever since.

As a result we have come to depend on two kinds of motivation—money and status.

"Almost ignored," says the personnel vice president



RIVALRY between groups within company can drain off tremendous amount of energy

of a leading multiplant corporation, "is a third kind of effort-producer that Americans, of all people, should have been the first to stress: The enormous, unselfish force that is generated by human beings who are striving for a goal as members of a team."

An industrial psychologist puts it this way: "For the first time in years, we are coming back to the basic fact that people intent on a team goal often put out more effort than they would for a personal objective. Some studies indicate that this can amount to three or four times as much productivity in short bursts—and 18 to 20 per cent more over a long pull. Moreover, they are happier and suffer less fatigue."

But over and above what was known about team spirit before, two new factors have been added:

▶ A high degree of definiteness—recognition that a team must have a specific opponent and not just the intangible goal of striving upward.

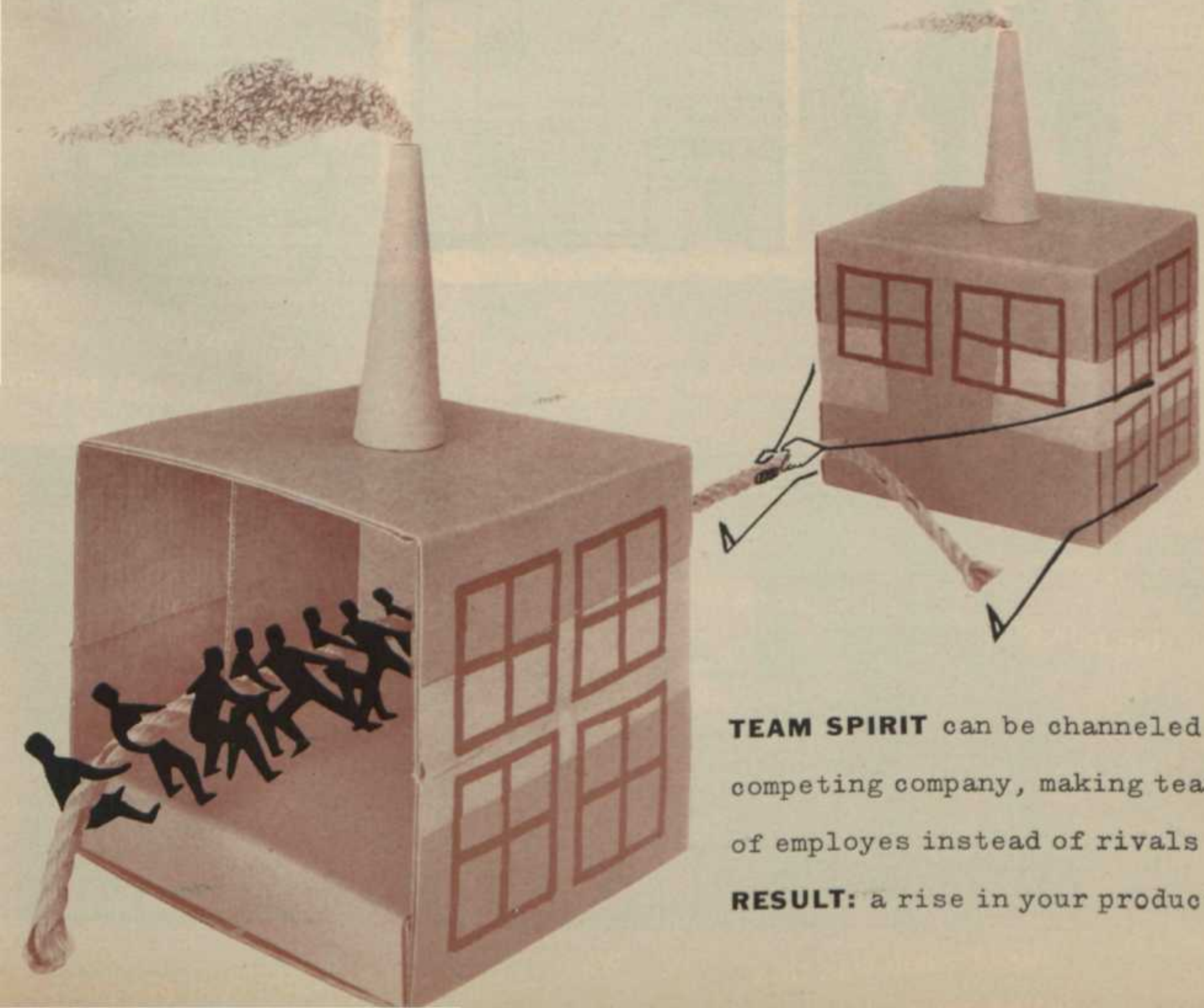
▶ The finding of a target outside the company, rather than relying on internal competitions that make rivals of the very men who should be teammates.

Strangely enough, this awakening has come to us from abroad. Many areas overseas are achieving good results with unorthodox motivation techniques.

In Italy, for example, the state-owned corporations have the remarkable record of getting civil servants, in some cases, to work even more efficiently than employes of private industries.

"The esprit de corps in some of our government-controlled companies is unbelievably high," says Egidio Ortona, now Italy's ambassador to the United Nations, "but mainly because these organizations are in competition with private companies in the same lines. Managers on government salaries work every bit as hard as private entrepreneurs because they have a feeling of team pride."

U. S. psychologists have even studied reports from behind the Bamboo Curtain and found something to be learned from Peking's frightening success in building patriotic fervor. The famous back-yard blast furnaces that have sprung up in Red China, for instance, produce relatively little usable iron, but they create the proud feeling that every man has a part in the nation's race to overtake British production. This has had a tonic effect on the *(continued on page 44)*



TEAM SPIRIT can be channeled against competing company, making teammates of employes instead of rivals

RESULT: a rise in your productivity

How much did this
earn in 1959?

What city or county did he work in last we

How many bedroo
are in your hous

hat country was his father born in?

ou share your kitchen with another household?

How many rooms are in
your house or apartment?

Do you have any radios?

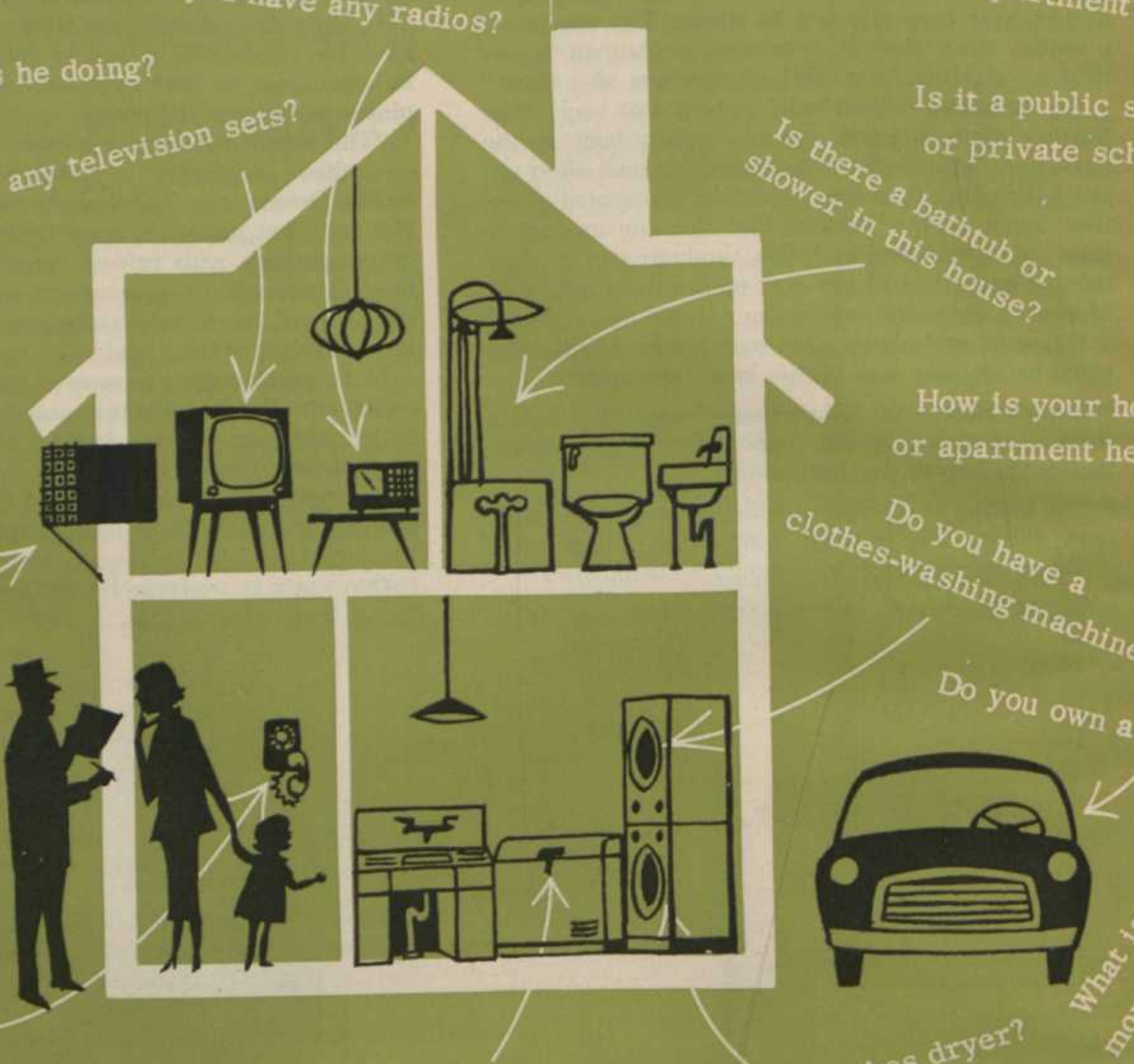
kind of work was he doing?

Do you have any television sets?

Is it a public sch
or private schoo

Is there a bathtub or
shower in this house?

was this person born?



How is your hou
or apartment heat

Do you have
conditioning?

Do you have a
clothes-washing machine?

Do you own a ca

they live and eat
ith your family?

you have a
l basement?

What is yo
monthl

r telephone number?

Do you have a home food freezer?

Do you have an electric or gas clothes dryer?

Have you left anyone

Has he ever served in
the armed forces?

this house on a city lot?

Has this person been married more than once?

Is this person widowed?

much do you think this property would sell for?

How many babies has she had?

n was this person born?

About when was this
house originally built?

What is average monthly cost for electric

HOW CENSUS WILL HELP YOU

Census results will give business valuable new information on neighborhood age trends, pay levels, over-all market changes. Left—some of the questions householders will be asked by census takers

COMING: **NEW ANSWERS TO BUSINESS QUESTIONS**

Priceless information on America's markets will be provided for business by 1960 census

Do you want to know which city near you offers the best spot for a new branch store—or even which part of that city?

Would an advance look at the teen-age population of the 1970's help you decide whether to expand?

Would your business benefit from knowing how many families in your neighborhood own television sets or freezers; how changes in population centers have affected your sales territories; or whether the area you've tabbed for a new plant has an adequate labor supply?

These and scores of other questions vital to businessmen are about to be answered by the biggest market survey of all time, the 1960 Census of Population and Housing. In addition to the latest answers on dozens of questions which have been asked in previous decennial surveys, the new census will obtain for the first time information on where America works, what transportation it uses to get there, how many houses are air-conditioned, how many automobiles each family owns, and the mother tongue of all foreign-born citizens.

The results of the new census will have broad impact on the government. Since membership in the House of Representatives is based on population, the new figures will determine changes in the congressional representation of each state. They also will fix local representation in many state legislatures. Military planners will use the figures in estimating manpower requirements and the totals will help determine the amount of federal funds going to each state under a number of grant programs that are based in part on population.

On state and local levels, the figures will be used to calculate the number of housing projects, schools, libraries, hospitals, highway, sanitary facilities and other projects needed in coming years.

For businessmen, the results will be equally important, either in their raw form or as processed and interpreted by business organizations and other groups. Totals will be issued not only for the nation and for states and cities as a whole, but for far smaller units. Results will be available by city blocks—for some 475 cities. This will include every city of over 50,000 people and some 200 smaller cities where the local government has agreed to chip in for expenses. Figures for some areas will be broken down into "census tracts" of anywhere from 3,000 to 7,000 people.

Data on the length of marriages and number and age of children in an area can show retailers whether a particular neighborhood is "young" or "old"—information vital, say, to the businessman considering opening a children's clothing store. Manufacturers of textbooks and school equipment can get a good look at their probable demand load 10 and 20 years from now. A department store contemplating a suburban branch can get priceless information on the economic and social structure of the area in which it is interested—the pay level of wage earners, stability of population, rate of increase or decrease, possible market for appliances, and the like. By checking the earlier Census of Business, it can also see the number of stores already in the area.

Property owners can use information on local labor force to attract factories or stores, and a bank can use much of the census information for its presentation to state banking authorities for a new branch. A telephone company will be able to get a head start on its plans for future telephone loads in each area it services. Gas and electric companies can compute future demands for fuel and power on the basis of the

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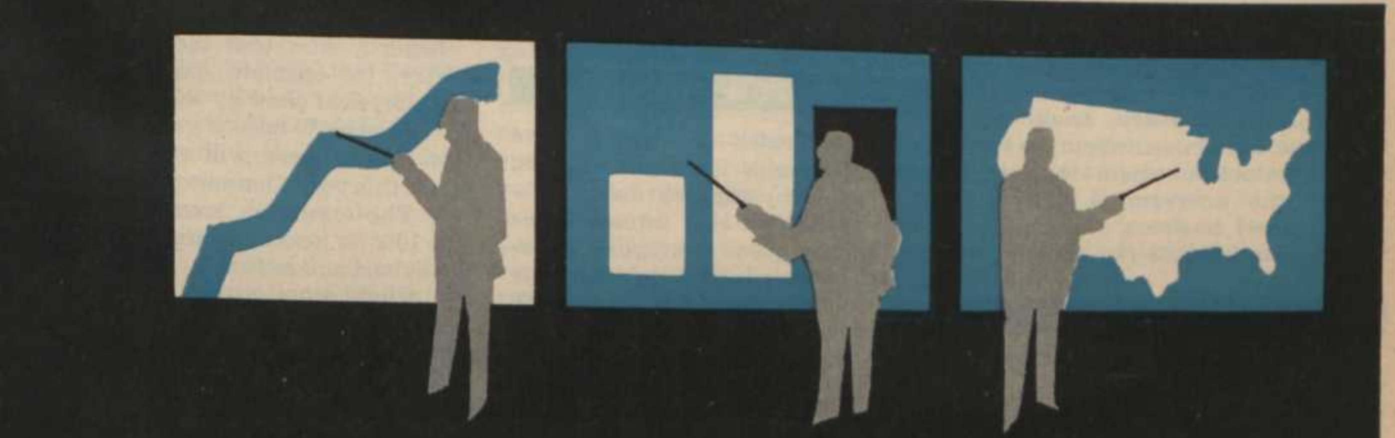

HOW'S BUSINESS?

today's outlook

AGRICULTURE

Congressional action, or lack of it, on the conservation reserve program will affect the future of many businessmen as well as farmers.

Authority to bring additional land into the conservation reserve—part of the soil bank—expires with the 1960 crop year.

In his budget message the President asked for a three-year extension of the program, adding nine million acres in 1961 to bring the total to 37 million acres. Under the program farmers are paid for taking land out of soil-depleting crops and instead growing a cover crop such as grass. Mr. Eisenhower has proposed that participation be encouraged particularly in areas where farmers grow major surplus crops, such as wheat. His proposal was contingent upon "needed price support legislation" for wheat.

One factor of the current program which is of major interest to business is the emphasis placed on retiring whole farms. Where such participation is heavy, trade centers have complained about loss of their principal customers—the farmers. If the program is extended more serious business contraction in these trade areas is a danger.

CONSTRUCTION

Increased productivity is essential to continued progress in the construction industry. Population growth and economic expansion during the next 10 years will mean increasing construction demands. The home building segment, for example, may need to produce more than 16 million units in the period.

To meet such needs, labor and material resources must be used more efficiently.

Although obstacles to progress arise to some degree from consumer hesitance in accepting new products and from other sources, roadblocks to progress are thrown up most frequently by labor's failure to accept improved methods, better tools and new materials.

Failure to increase productivity might be costly. If construction cannot make substantial improvements, competition from other domestic industries and from foreign producers of components will lead to erosion of construction markets.

Industry leaders will explore these and other problems at the National Construction Industry Conference, March 10 and 11, in Washington.

CREDIT & FINANCE

Interest rates and money have become a major issue in Congress. Overlooked by the political discussions is the fact that interest rates during the past year were determined primarily by the domestic business situation, the Treasury's financing requirements, and by the international flow of funds. Most dramatic development of the year was the rise in short-term rates above long-term rates.

Congress has not shown adequate flexibility in meeting these changing business conditions. Failure to lift the $4\frac{1}{4}$ per cent interest-rate ceiling on long-term Treasury securities has caused a great distortion in the government securities market.

Congressional action on the President's request for removal of the ceiling will have an important bearing on the future pattern of interest rates during the rest of 1960.

DISTRIBUTION

Consumer buying is high the first quarter of this year reflecting confidence in greater job stability.

Two recent surveys show consumers to be in a spending mood, but worried about future price increases. Most authorities predict consumer price advances between one and two per cent this year.

To handle this increased spending, various trades and services plan further expansion of plant and equipment.

Reports show that the retail industry, for example, expanded its total physical plant by an estimated 25 million or 30 million gross square feet in 1959, and will exceed that figure this year. One survey reports:

1. The expansion trend of 1959 and 1960 is heavily concentrated in the suburban areas.

2. Chain store organizations will spend 25 per cent more to increase their plant and warehouse facilities than they spent in 1959.

3. Independent department and specialty stores are expected to put their money in plant improvements

and renovations rather than in physical expansion.

FOREIGN TRADE

Proposals to extend government export credit insurance facilities will be considered in hearings the Senate Interstate and Foreign Commerce Committee will begin this month.

Although concern that the United States hold its own in increasingly competitive markets prompts the hearings, businessmen caution that such government intervention could fall short of this objective.

To insure commercial short-term transactions against losses resulting from transfer or other political risks by facilities other than those of the Export-Import Bank would offer little real assistance to U. S. exporters. They could, many believe, lead to overextension of credit to the detriment of all U. S. trade.

Although such insurance is available to British, French, Italian, and other exporters, the trade position of those countries is fundamentally different from ours.

The United States still has an export trade surplus which requires customers abroad to earn the dollars to buy our goods. A U. S. export credit insurance scheme would not necessarily expand the dollar earnings of any foreign country.

GOVERNMENT SPENDING

This year's battle of the budget is off to a fast start. Several appropriation bills are through—or almost through—the House. Others are expected to be sent to the Senate before April 1.

The preliminary skirmishing which has taken place on the budget in the first couple of months of the session will probably jell into some relatively firm positions this month. Indications are that the amount appropriated will not exceed the President's requests. In fact, some token reduction may be achieved primarily by reducing foreign aid. Space activities will get more; so will defense—although not as much as some have asked. Legislation establishing new or expanded spending programs may also slip through. Federal subsidies for education, a federal juvenile delinquency program, more housing, increased grants for sewage plant construction, veterans housing, a peacetime GI bill and others are politically popular.

Look for some presidential vetoes on legislation which threatens fiscal soundness.

LABOR

Congress should eliminate the inflationary effects of the Davis-Bacon and Walsh-Healey Acts.

The first of these laws requires a prevailing wage to be paid on all government construction contracts for more than $2,000. The second requires all employers with government supply contracts over $10,000 to pay the prevailing wage, as determined by the Secretary of Labor.

Both laws raise the cost of government contracts. The Walsh-Healey Act conflicts with the policy of Congress to encourage small business to bid on government contracts. It tends to raise wages everywhere to the levels paid by large firms in the areas of highest industrial development without regard for local economic conditions.

Under the Davis-Bacon Act, rates go as high as $5 an hour.

The Chamber of Commerce of the United States has suggested that all Walsh-Healey and Davis-Bacon rates be brought within the Fair Labor Standards Act minimum.

NATURAL RESOURCES

Outdoor recreation is big business and is rapidly becoming bigger. Just how big the National Outdoor Recreation Resources Review Commission is attempting to find out. It is working to provide an inventory of public and private outdoor recreation facilities and potential land and water recreational resources.

Needs for resources such as game, fish and water, also leisure-time preferences for swimming, hiking, picnicking, camping, sightseeing, hunting, and fishing will be surveyed. Greater development of recreational potential on private lands will be studied. Facts and figures will be available on outdoor recreational needs, desires and trends to guide business and industry in planning future services and facilities such as motels, hotels, beaches, ski areas, resorts, dude ranches, equipment, clothing, transportation, and entertainment. The report is due next January.

TAXATION

The proper taxation of cooperatives has presented a troublesome problem for many years. Last month, under the stimulus of a presidential recommendation and the pressure of long continued demand from competing industries, the Ways and Means Committee held hearings on this issue.

Crux of the matter has been the differential in tax treatment accorded cooperatives as compared with other business firms.

Discussion has ranged around the provisions of the Mason bill, which would tax cooperatives as corporations, and the Treasury bill, designed to restore the intent of the 1951 Revenue Act which would tax cooperative earnings either to the cooperative or to its patrons.

Neither bill is likely to be reported in its present form. Instead, the Committee will report a compromise which will be the subject of much debate.

It appears likely that some action will be taken this year.

TRANSPORTATION

Modernization of state laws affecting interstate transportation is an important step toward preserving state authority and avoiding more federal controls. Representatives from more than 20 national organizations meeting with the Chamber of Commerce of the United States have urged action on this problem.

The need is uniform and coordinated regulation that does not unnecessarily impede interstate commerce.

Highway carriers have long been harassed by widely varying state laws on vehicle identification, insurance, safety requirements, special fees, and taxes.

There is also some conflict in state regulations and legislation affecting interstate commerce by air, rail, water transport, and pipelines—although it is not as burdensome as that applied against the highway carriers.

The types and levels of taxation to be assessed by individual states against special industry groups are not at issue in this cooperative effort. The primary goal is simplification and standardization of regulations.

COMPETITORS

continued from page 39

way people work at their regular jobs.

"It's as simple as this," says a U. S. Labor Department authority in Washington: "There's more fun in being the one man out of five who wins a bowling match than in being a winner of a two-man game."

The same principle worked in industry during World War II. Workers trying to win a Navy "E" toiled like men possessed.

No one suggests that team spirit should replace any part of our standard economic incentives. But we can use the new realization about group enthusiasm as an added force for keeping effort and productivity at a high level.

Let's turn now to a specific three-part program you can use to make this principle work for your company:

1. *Pick an opponent*

The first and greatest need is to find a standard of comparison that can be set up as the opposing team. It is seldom fruitful to urge: "Let's lead our entire industry in sales." Wherever possible, there should be one tangible rival at a time, usually a competitive firm in the same line of business. If it is in the same city, so much the better.

In selecting a foe, however, try to choose one that now has only a moderate edge over your own company. You need not tackle the industry's leader. Too wide a margin is always discouraging because there is little joy in merely narrowing a huge gap. You must compete with a company that you have some chance of overtaking and beating in the reasonably near future.

Sometimes it requires considerable effort to learn enough facts about your competitors to set up any kind of contest. But even this problem can create a useful by-product. One paint manufacturing firm set out to estimate a competitor's sales and production figures merely to give its own employes a goal to shoot for. It took weeks of piecing together bits of data before a good guess could be made. In the end, the management group realized that this was information it should have had all along for use in making major policy decisions.

Most organizations serving a single community—retail stores, banks, service companies—have a great deal of data about their competitors available on an exchange basis. Where the information is not easily come by, a little ingenuity can produce a workable substitute.

One drug-store owner with eight employes developed a sense of team competition by asking some of his wholesale suppliers how much they were selling to his larger competitor two blocks away. Then he used their figures as quotas for his own store to shoot at. "Frankly, I think some of my suppliers exaggerated how much they sell to the other fellow," he explains, "but that didn't hurt us. My employes got interested in beating the turnover rates which I had posted on a board in back of the store. They started pushing the items I had set quotas on—suggesting them to every customer—and we've been moving about 10 per cent more merchandise in those lines ever since."

Only in a few cases will it be impossible to get enough data on your competition to serve as a basis for some kind of contest. But if their vital statistics are so thoroughly hidden that you can't even make a good estimate, you may have to be content with shooting against the industry averages. (By writing to the Bureau of the Census, U. S. Department of Commerce, Washington 25, D. C., you can buy copies of the annual Census of Manufactures or the Monthly Retail Trade Report and get progress figures for your line of business—some are even broken down geographically—against which to rate your own company's performance.)

Storehouse of business information will open up when the '60 census is completed. **On page 41** you'll find how to use this information

2. *What kind of contest?*

Generally speaking, no business statistic is so precisely suited to intercompany competition as total sales. Sales figures are definite and challenging. They also have the fascination of representing money in everyone's mind.

But sales are by no means the only phase of business that can be used as a measure of team success. It may be hard to make your production or shipping or clerical employes feel that they are really closely involved in how much the company sells.

There are two ways to get around this:

You may compete on profit figures, instead of sales, if you're in a line of business where profits are not secret. Everybody in a company can be made to realize that punctuality, avoidance of waste, and development of more efficient methods in any corner of the organization have a bearing on over-all profits.

You may run several contests simultaneously. All of them should be against the same outside opponent, so that your entire company will feel that it's a single team. But different parts of your organization can run separate races with different criteria for success.

For example, your production department can try to surpass the other company's total production figures (adjusted to allow for difference in company size), or it can try to better the other firm's cost-per-unit.

If you're on close enough terms to exchange data with the head of the other company, you can get figures such as the average length of time for processing each customer order. Then your order department and shipping department can work to better that showing.

Two makers of electrical appliances are exchanging monthly data on accident rate, absenteeism, total shipments and number of units rejected through quality control procedures.

"I know we're helping the other fellows by giving them something to shoot at," says an officer of one firm, "but the help we get in return is more than worth it. We post some of the results on a board every month and others quarterly. It's made a big difference in how people work around here. For one thing, there's no arguing with an accomplished fact. If I tell a production department that its reject rate is too high, the boss can give me a hundred excuses. But when it shows on the bulletin board that a similar group 50 miles away did a better job last month, he has no answer."

This executive stresses the importance of short intervals between contests. Any tendency to be disheartened by a bad performance is quickly forgotten when you know that another race is already under

Your most valuable dollars may be life insurance dollars

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COMPETITORS

continued

way and a new set of results will appear in two or three months.

3. *Use rewards that fit the team concept*

Rewards made to individuals, whether in the form of promotion, wage increases, bonuses or special privileges, can actually serve to increase team spirit if they are made in recognition of the man's contribution to his team.

The greatest cause of group resentment when one man gets recognition is the clandestine, half-guilty way that companies usually bestow their favors. Many companies make promotions in a gingerly fashion, often easing men into higher jobs "on a tentative basis" and making as little of the change as possible. This fools no one. It only robs the favored man of enthusiasm and leaves everyone with less respect for management.

Instead, when a man is promoted or rewarded, the fact should be publicized as being related to what he is doing for the team.

This is especially important in the case of executives. Company organs often mention the contribution made by a worker—one, for instance, who makes a valuable suggestion and gets a prize for it—but they seem to assume that executives are above such trifles. The truth is quite different. Perhaps the most lasting satisfaction that can repay a manager for the responsibilities he shoulders is the feeling that he is creating jobs for others. And it doesn't hurt for an executive's subordinates to be reminded that their security and prosperity stem partly from his efforts.

A large holding corporation recently took over a struggling company that produces office equipment. The corporate president took time to confer separately with each division manager of the newly acquired subsidiary. Here's what one of them said a short time later:

"If you had asked me six weeks ago what I was really working for, I guess I would have given you a blank stare. I didn't know. To make a living for my family, sure, but that wasn't enough to explain why I stay here and plug at a tough situation when there are easier ways of making as good a living.

"Now I have a different slant. I thought our new boss was going to complain about our weak profit showing. Instead he congratulated me for having kept things going against odds and providing jobs for 150 family men who might be otherwise unemployed. It's a great feeling to think that you're helping to make a living for a lot of other people and other families."

This principle is equally applicable when the time comes to distribute bonuses or profit-sharing money. Many employes are secretly irritated by the stodgy old letter that comes with their checks, saying, in effect: "Everybody did a fine job and that's why we have this bonus." It is too vague, meaningless. It leaves the feeling that management doesn't really know who did what. Several companies have created the impression of management sincerity and have gotten much better reactions by writing separate notes to each group—recognizing its specific contribution:

- "The sales department surprised us all by raising volume in a year when we had to increase prices."
- "The production people actually lowered our unit cost by 1.5 per cent despite a four per cent rise in prices of raw materials."
- "If we had a good year, it was partly because two new items which the research department developed two years ago went into production and added 11 per cent to our volume. Next year, we expect to see even more gains from a breakthrough our research people came up with last November."

One company goes even further. After top management has prepared its bonus letter, the manager of each group adds a handwritten note to each letter—reminding the individual of his personal contribution to the over-all result.

These new techniques for creating steady team spirit knit the organization together, rather than splitting it into fragments as intramural contests too often do. They have none of the preachy haziness of past talk about team effort because they recognize and build on real truths—the fact that a company is a kind of team, that an interplay of personal brilliance and group effort is needed for success, and that each man does hold in his hands a part of the security and prosperity of all his colleagues.

—CHARLES A. CERAMI

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FIT DECISIONS TO YOUR NEEDS

Highest-quality solutions may not yield best results

YOU CAN EASE the task of decision-making and get better results by recognizing that every decision has two distinct ingredients.

The first and most obvious is quality. To assure the best decision, the businessman assembles facts, consults experts and digs deeply into his own fund of knowledge and experience.

The second ingredient is acceptance. The effectiveness of a decision depends on the degree to which those responsible for carrying it out like it, believe in it, and execute it.

Traditionally, we have aimed for quality. Acceptance has been dealt with only after a decision of highest quality has been made. Often the element of acceptance is not even considered until after a decision has been made.

Now we are beginning to realize that the highest-quality decision is not necessarily the most effective. Suppose there are four ways to lay out a job and that the quality of these methods, from best to poorest, is in this order: Method A, Method B, Method C, and Method D.

Suppose further that the employes who must use these methods prefer Method D; then Method B, Method C, and Method A. Under these circumstances, it is conceivable that Method B would yield the best results, although it is not the decision of highest quality.

Naturally, one must consider the degrees of difference between each alternative; nevertheless, an inferior method which enjoys greater support may produce better results than a superior method which lacks support.

At first glance, this seems to complicate the decision-making process. How can one achieve quality and acceptance simultaneously?

Often methods for achieving quality tend not only to differ from, but also to conflict with, methods for achieving acceptance. When we aim for both objectives, we may achieve neither.

The solution is to analyze the problems under consideration to determine which objective is more important. Once we have settled that, appropriate methods can be employed.

How, then, can we decide whether quality or acceptance is more important? A few examples will be helpful. For instance, the price of a product could be set so low that loss would increase in proportion to sales volume or so high that the company would be priced out of business. These fates are possible regardless of how acceptable the price may be to the people who make or sell the product.

Establishing a price, therefore, is a problem in which the quality of the decision is of primary importance.

In contrast, consider the problem of installing a new typewriter in an office as a replacement. Who

should get it? The person whose typewriter is replaced? The person with most seniority? The person who is most skilled? The person who is least skilled? The person who does the most work? Who?

Each member of the using group may employ a different scale of values to arrive at his opinion. Almost invariably, the value judgments proposed will be found to favor the person who advocated them. For, when people want something, they usually select facts and values which tend to favor their feelings.

A problem of this kind can be solved effectively by group decision.

Usually, the result is a reshuffling of typewriters so that several persons stand to gain. Furthermore, different groups will solve the same problem in different ways and each group will be satisfied with its own solution.

The question of decision quality is minor in such instances. The supervisor need not be concerned with which of several possible solutions is, objectively, the best; his primary concern is to reach a decision that is acceptable. As a matter of fact, it might be difficult to find measures of quality that would be acceptable to everyone.

The first step in decision-making, then, is to classify the problem in terms of the more important objective.

Three classifications seem appropriate:

1. *High-quality, low-acceptance requirement.* These are problems in which quality is the important ingredient and the need for acceptance is relatively low. Such problems should be solved by the leader with the aid of experts. Acceptance should be considered only after the quality of the decision has been assured. Thus, the procedure for obtaining acceptance should be regarded as secondary, though necessary.

2. *High-acceptance, low-quality requirement.* These are problems in which poor acceptance can cause a decision to fail and in which the judgment of quality is influenced by differences in position, experience, attitudes, value systems and other factors.

Problems of this type can best be solved by group decision. The discussion leader presents the problem but remains neutral. He confines his activities to clarifying the problem, encouraging discussion, promoting communication, supplying information and making appropriate summaries. His objective is to achieve a unanimous decision.

Problems that fall into the high-acceptance category include:

a. Scheduling overtime, vacations, coffee breaks.

b. Disciplinary problems that involve violations of regulations, lack of cooperation.

c. The fair way to distribute something desirable,

THREE TYPES OF DECISIONS

In some situations your decision should be one of high quality, even if unpopular

In other situations, high acceptance of your decision will outweigh its quality

Occasionally only a decision of top quality and high acceptance will fill the need

FIT DECISIONS

continued

be it a typewriter, a truck, office space, or office furniture.

d. The fair way to get something undesirable accomplished, be it unpleasant work, unattractive hours, or shifts.

Take a minor but prevalent office problem: An office manager with an unexpected rush of work found that he needed two of the three secretaries on his staff to work on a Sunday. This announcement brought wails of woe because the girls had already arranged dates. Group decision seemed to him a suitable method for achieving acceptance. The discussion which followed brought out that Sue had a date with several girls; Vivian was dating her fiancé; Nancy was planning to date a new, fascinating acquaintance.

Although Nancy had the least seniority, the girls felt that her date was the most important. It was decided that she should have the day off. Sue and Vivian agreed to work.

Certainly the criteria used for according preferred treatment in this case is much different from that ordinarily employed by management, but the decision was satisfactory to all. By other groups, still different criteria would probably have been used.

3. *High-acceptance, high-quality requirement.* At first this may seem to be the largest category and one that a businessman will hesitate to let pass out of his own hands. However, decisions made by groups can be surprisingly good. In fact, it is not uncommon for a supervisor to admit that the group's solution surpassed not only what he had expected, but also what he could have achieved by himself. The motivational forces in employes form a complex pattern. These include not only what employes want, but also their ways of protecting themselves from what they fear management wants to accomplish. When fear is removed by a real opportunity to discuss problems freely, the outcome differs greatly from what has been anticipated.

A telephone company case illustrates how men solve problems involving attitudes toward prestige and seniority rights. It also illustrates that the men on the job do not take advantage of the company or of each other when the need for protective behavior is removed.

The problem arose because repair

The good discussion leader does not act as a critic or a judge

foremen could not get men to clear wet-weather drops. A wet-weather drop is a defective telephone line that runs from a pole to a building. From time to time water seeps through a break in the insulation on these lines and causes a short. Because this happens only when the line is wet, the problem is temporary. So the company and the men regard wet-weather drops as less serious than emergency jobs.

Repairmen do not like to do this work, because they feel that anyone can do it without much thought or skill. As a result, they make little effort to get these jobs done. They may promise to pick up one or two and then fail to do so, claiming that they ran into extra difficulty on an emergency job. The foreman can never be sure when the excuse may actually be justified. Thus, wet-weather drops are a continual headache to the foreman. When he gets far enough behind, he often has one man clear wet-weather drops full time.

One foreman decided to try group decision. He asked his men how they should be handled.

Surprisingly, no one in the group felt that the man with least seniority should do the work. A man with most seniority said that he couldn't see why everybody shouldn't do a share of it. It was soon agreed that the work should be evenly divided.

Part of the reluctance to clear wet-weather drops hinged on the idea that, when a man was conscientious, the foreman took advantage of him. All men were willing to do their part, but nobody wanted to risk being made a sucker. Other foremen have testified that this defensive reaction makes sense. The foreman who wants to get the job done begins to rely on those who have cooperated in the past. Soon these men find they are doing all the undesirable jobs.

A second case illustrates that a correct solution may be less adequate than one reached by employes. Here, engineers of a large utility worked out what was considered to be the best (highest-quality) procedure for cleaning out furnaces. This method, which took four men four days, was followed for ten years despite objections by the furnace-cleaning crews. Eventually, the foreman asked his men how they thought the job should be done. Their discussion resulted in a procedure which enabled four men to complete the job in two days.

Whether the new approach involved a better method of cleaning furnaces, or whether it was more acceptable to the crew, is difficult to determine. Perhaps both were involved. The fact remains that the solution reached incorporated both high quality and high acceptance, plus high productivity.

Group decisions can be effective with problems such as:

a. Setting standards on tardiness and absenteeism.

b. Setting goals for production, quality and service.

c. Improving safety and maintenance.

d. Introducing new work procedures, changing standards and introducing labor-saving equipment.

Both quality and acceptance are required for effective solution of such problems. For this reason, problems of this type usually become the areas of greatest conflict in labor-management relations.

The success of this approach to decision-making may be determined more by the skill with which the decision-making conference is conducted than by any other factor.

Each conference leader needs to be trained in several basic skills.

One of these is how to locate the problem to be solved. For example, suppose that a company needs more creative talent. This appears to be a pretty specific, clear-cut problem. On further examination, however, it involves a number of more specific problems, among them:

- How can we do a better job of college recruiting?
- How can we attract talent from other companies?
- How can we keep our best talent from leaving?
- How can we locate talent in other departments of our company?
- How can we develop the talents of our present force?
- How can we make best use of the talents now available?

Some of these more specific problems may be readily soluble while others may be insoluble. Successful problem-solving depends, in part, on isolating the specific elements of a problem.

A second needed skill is the ability to state the problem in terms of the situation rather than in terms of behavior. When stated: "What can we do to get you to do a full day's work?"—presentation of a problem having to do with increasing the efforts of salesmen amounts to a criticism.

Such a statement puts an employe on the defensive.

The same problem could be stated: "What difficulties do you have in selling?" This locates the problem in the situation—and stimulates constructive thinking.

A good discussion leader is sensitive to the differences between these two types of statements.

A third necessary leadership skill is an ability to remain impartial and to accept all contributions made. This means that the discussion leader is not to serve as critic or judge. Agreeing or disagreeing with any of the statements made involves judgment and, therefore, should be avoided.

This may be difficult because a supervisor is usually eager to solve the problem and naturally finds it hard to refrain from revealing his position.

Leaders who jump to conclusions about ideas presented in a conference soon find their employes working for praise rather than for good solutions.

The skills advocated are not intended to enable manipulation of a discussion to control its outcome. Instead, they provide ways in which a leader can make communication easier and make behavior constructive so that a better final product may emerge.

When a final product or decision is better than what the leader had in mind at the outset, chances are a productive discussion has been held and satisfaction is at an optimum. This type of satisfaction provides highly intrinsic motivation since the motivation is built into the solution rather than being packed onto it as a reward.

—NORMAN R. F. MAIER,
Professor of Psychology, University of Michigan

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CONSUMERS

continued from page 35

accomplishment level. We want a little more income, a few additional goods, and a somewhat better house, but our desires and fancies are reality-bound and reality-tested.

4. *People change their convictions slowly.*

Even contrary personal experiences do not necessarily shake a consumer's opinions. For instance, masses of people believe today that high expenditures for rearmament are not good for the economy because the money is, as they say, wasted rather than serving to raise the standard of living, or because government deficits are bad. These beliefs are widely held even though thousands of people had the best years of their lives when rearmament expenditures were high.

The same is true of the conviction that inflation is bad. Even people whose income automatically keeps pace with prices, or those who profit from inflation, do not attribute their income gains to inflation. Income gains are thought to be the result of one's own accomplishments or, occasionally, of lucky breaks. Inflation, on the other hand, is considered detrimental to the enjoyment of the fruits of one's labor.

Such broad generalizations as "inflation is bad," "what goes up


OKAMOTO

Analysis refutes the belief that customers are not well informed

CONSUMERS WILL EASE NEXT RECESSION

continued

must come down," "trees don't grow to heaven" are inherently conservative. Because of such beliefs, people react to inflationary news by restricting their discretionary purchases. This is the case when small and gradual price increases are expected: Here is one of the crucial differences between creeping and runaway inflation! Buying more freely when prices are stable and buying less when prices are rising helps reduce fluctuations rather than make them excessive.

5. *Consumers are conservative.*

Diversification is a widely prevailing practice. Even people who do not argue consciously that it is wrong to put all your eggs in one basket do not back the most probable course with all their means.

Many people who are convinced that, over a decade or two, sizable price increases are inevitable still keep some money in savings accounts. They know that what appears probable still is not certain and they take into consideration that some risks are involved in the stocks they have bought as hedges against inflation. Most people have only one important hedge against inflation—the house they own.

People like to buy on time and look at the amount of monthly payments rather than the size of the carrying charges. This has occasionally been cited as indicating that consumers are impulsive or irrational. But paying while using is not a new idea and seems right. What matters most, financially, is the relation of monthly charges to the family income. In this area many families prepare accurate estimates. They calculate the size of the monthly payments they can afford to make. This serves as an effective budgetary device which restrains impulse buying.

Are these five stable features of consumer behavior effective? Experience of the past 10 years shows that they are. Only in three instances have consumers allowed themselves to be stampeded into excessive buying, and in each instance the stampede was arrested before it became serious.

At the outbreak of the Korean war there was scare buying and hoarding. This stopped as soon as the fear of large-scale war and of resulting shortages subsided. In 1955 favorable attitudes toward the automobile market and the news that more people were buying cars helped to transform desire into demand for new cars. People who usually bought used cars bought new cars that year. Other people traded in their cars earlier than usual. But the process lasted only a few months, and not more than one million car buyers were influenced by the contagion.

In 1958 the notion that that was not a good time to buy a car was reinforced by the news that car buying had slumped; in other words, that people all over the country felt the same way. Similarly, uneasiness and worry was reinforced by the news about rising unemployment. Yet the recession had other causes as well and the buyers' strike was localized and brief.

In contrast to occasional excessive behavior, there were several instances when consumer reactions arrested recessions and reversed inflationary movements.

After it is fulfilled, expectation may disappear or even generate a reverse expectation. After prices have risen, people who expected the increases feel that the factors producing them have exhausted themselves. Then different price expectations may arise. Thus, inflation after World War II generated expectations of price declines in 1948-49. The reduction in prices at that time was accompanied by improvement in inclinations to buy.

Consumer resistance to price increases in 1951 and the optimism that arose in 1954 during a period of relatively low levels of production are among the most important instances of reversal in sentiment noted during the past 10 years. In 1949, 1951, and 1954, consumers were the decisive force in the economy; in 1956-57 they contributed to keeping the boom from getting out of hand. In 1958 they aided recovery by continuing to spend.

The consumer is not a calculating robot. He has only limited information and understanding of what goes on in the economy. But when it really matters, he usually does not act impulsively and emotionally. Because of certain deep-seated and enduring tendencies he usually helps to mitigate inflation and recession and does not contribute to exaggerating boom conditions. He is a stabilizing force in our economy. Therefore, the task of rectifying economic maladjustments need not be shifted exclusively to the government.—GEORGE KATONA

The author is program director at the Survey Research Center, University of Michigan. His book, "The Powerful Consumer," will be published this month by the McGraw-Hill Book Company, Inc., New York.

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THE REAL CRISIS IN OUR SCHOOLS: FEDERAL DOMINATION

Fuzzy figures on shortages and needs obscure the fact that absentee bureaucrats are now taking over our schools

AMERICA'S PUBLIC SCHOOLS, long cherished for their home-grown independence, are on the road to becoming federalized institutions—dependent on federal money, responsive to federal directives, and shackled by a growing number of federal decisions.

Tempted by government grants, loans, contracts and other forms of financial subsidy, the elementary, secondary and higher-level schools are bargaining away their freedom to determine what our young people should be taught, who should teach them, and under what circumstances the teaching shall take place.

The trend toward centralized control of public education is so grave that even some long-time advocates of federal support for the schools are becoming alarmed. They fear that federal programs in the educational field, once started, will be difficult, if not impossible, to eliminate or contain. They are disturbed, too, by the indifference with which many citizens seem to be reacting to the increasing assumption by Washington of basic decision-making power in areas of local public education.

They ask: "If we are not concerned enough about public education to keep its direction and control at the state and community level, how can we justifiably complain if national government rushes in to fill the vacuum left by our own inertia?"

Proponents of greater federal influence in local school matters are pressing for congressional approval at this session of huge annual multibillion-dollar national subsidies for school construction and teachers' salaries. They are using charges of classroom shortages and teacher shortages to build their case. Thrown in with these charges, apparently to tilt the scales of public opinion decisively, has been the added argument that, unless the federal government does something drastic, we will fall behind Soviet Russia in education and possibly lose the cold war.

The facts are these:

The classroom shortage is largely a paper emergency. States and communities for the most part have been and are building an adequate number of classrooms to accommodate the nation's school-age population—a population whose rate of growth will significantly decline in the early 1960's. The teacher shortage has diminished and its seriousness has been consistently overstated.

The truth is that financial support of education in this country has grown phenomenally. The nation now spends for education more than three times as large a share of its national income as it did in 1890. Local and private support of education has risen dramatically, including the share which business invests through scholarships and other aid—assistance which could be stepped up if necessary changes were made in our tax structure.

Backers of nationalized programs in education frequently cite alleged Russian advances in education to promote public ardor for their cause. But there is no evidence that Russia is allocating to public education a larger share of its total annual output than does the United States.

These are just a few of the charges—and facts—in the continuing controversy over public education. It's a debate that is tremendously important to all Americans, including those of the business world. It involves our historic principle of separating local, state and federal functions; the quality and purposes of education—and who shall determine them; the expenditure of billions of dollars in tax revenues, and competition by government with the private sector of our society for the direction and use of schools. If the measures proposed in this session of Congress pass, they will authorize annual federal subsidies of about a billion dollars for teacher salaries and construction of local school facilities. This would be only a down payment on the total amount eventually sought.

Such proposals are not new. They came up last in the first session of the Eighty-sixth Congress but did not reach decisive action. This year, the proposals' backers feel they have a good chance of attaining victory.

It is easy for the average American taxpayer to lose sight of the fact that he already is paying heavily for federal intervention in education. The federal government, though lacking any real policy on education, is spending more than $2 billion a year through at

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SINCE 1890 . . .

Total spending for schools was **$147 million** then

That was **1.1 per cent** of total national output

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Prices have multiplied by **3**

But spending for schools has multiplied by **130**

Total spending for schools is **$19.5 billion** now

That's **3.9 per cent** of total national output

least 137 different educational support programs. Dr. Clayton D. Hutchins, school finance specialist for the U. S. Office of Education, estimates the current spending at $2.5 billion a year. This spending covers a startling variety of programs administered by some 20 government departments and independent agencies. The list includes $200 million a year spent through the programs authorized by the 10 titles of the National Defense Education Act of 1958; $200 million a year allocated to the school lunch program administered by the Department of Agriculture; $200 million a year in aid to schools in federally impacted areas, and millions more in other programs, including those operated by the military services. The National Science Foundation will spend $66.7 million in fiscal 1960 alone for fellowships and other grants to support the training of scientific manpower.

Those who favor federal intervention generally claim it is not intended to usurp the power of local school authorities to run their schools as they see fit. Federal aid legislation is almost always prefaced by such a disclaimer, as was the National Defense Education Act when it became law in 1958. Despite its statement that nothing in the Act "shall be construed to authorize any department, agency, officer or employe of the United States to exercise any direction, supervision or control over the curriculum, program of instruction, administration, or personnel of any educational institution or school system" this Act goes on to set forth numerous regulations and standards which local schools must meet to qualify for federal assistance!

Opponents of intervention say it is naïve to assume that any source—including the federal government—is going to lend or grant money without insisting on tying some strings to the outlay.

A veteran school superintendent, Allen P. Burkhardt, of Norfolk, Neb., testifies to the truth of this. Commenting on his experience with federal money in the field of vocational agriculture and home economics, Mr. Burkhardt says:

"To get this money we have to accept and adopt the course of study outlined and specified by the federal government through *(continued on page 62)*

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The VW Truck has won a place in U.S. business—80,000 places, in fact.

The VW Truck carries 83% more weight and costs 50% less to run than a standard half-ton truck. To many owners of ½-ton, ¾-ton or even 1-ton trucks, the VW offers a unique solution to high transportation costs.

The VW is as different from other trucks as the VW Sedan is different from other cars. It is 3 feet shorter than standard half-ton trucks, yet carries 830 pounds more—a full 1,830 pounds. And it normally costs half as much to run. Now compare VW to a standard 1-ton truck. The 1-ton carries only 170 pounds more but costs over twice as much to operate.

How big should a truck be?

Many businessmen complain that the average truck has grown too big for its budgets—that needless weight has sent delivery costs too high. We believe a truck should be big enough and strong enough to hold the load it's meant to carry. The Volkswagen Truck achieves this strength and performance without an extra inch or ounce.

The VW Panel Truck weighs 2,100 pounds without load or driver—about half as much as standard half-ton panel trucks. Yet it carries 1,830 pounds.

This means that the VW Truck comes within 270 pounds of achieving the 1-to-1 ratio of weight to payload once regarded as unattainable in truck design—as was the 4-minute mile in track.

Most sensible truck on the road

To create this ideal in truck engineering meant using light yet strong metals, new production methods and a new design approach. The result—an all-steel, all-welded unitized body that provides extra strength without extra weight. The engine makes maximum use of aluminum and magnesium alloys and weighs only 198 pounds. More weight is saved since the engine is air-cooled and needs no radiator, no water.

For maximum efficiency, weight is equally distributed. The driver sits in front, the engine in the rear, and the load is balanced between the axles.

A Volkswagen Truck is completely functional. There is minimum dead weight, maximum payload—and considerable savings result.

Detailed cost data on request

A Volkswagen *often* costs less to begin with—but *always* ends up saving you money. A VW gets remarkable gas mile-

age. For example, on 17 delivery trucks in the hilly Seattle area, drivers got from 16.7 to 24.5 miles per gallon of regular gas. Average of all trucks in this fleet was 21.2 mpg. Trucks had gone as far as 82,457 miles. Operating costs—including gas, oil, repairs, tires and tubes—come to 4.45¢ per mile. This is less than half the costs reported for standard half-ton trucks.

For details of this and other documented case histories, write to Volkswagen, Box 104, Englewood, New Jersey.

Other costs are in proportion. VW's air-cooled engine rarely needs oil between changes, and of course no anti-freeze at all. With half the usual unladen weight, there's half the usual tire wear. You save on service, depreciation and, in many states, insurance and license fees. Result—average cost per mile for a VW Truck, including all related costs except driver's salary, is less than half that of a standard half-ton. Thus even *small* deliveries are economical.

Parks in less space

Some owners say the *time* they save is more important than the money. Three feet shorter than standard half-tons, VW Trucks park where others can't, and also load and unload where others can't. And owners say it loads much quicker.

For example, the VW Pick-up drops its sides for easy loading from both sides, as well as the rear. The VW Panel Delivery loads through double side doors, in addition to the rear door. Double doors on *both* sides of your Panel Delivery are a low-cost optional extra. A dry cleaner tells us this *one* feature saves him an hour each day.

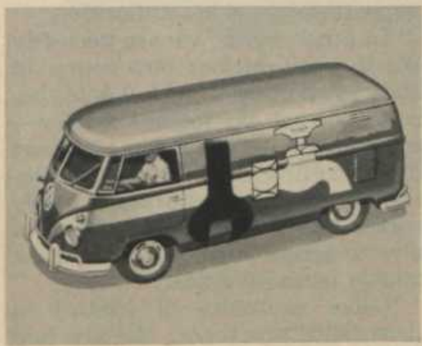
Drivers like the Volkswagen

The VW rides smoothly because of its unique, heavy-duty torsion bar suspension. Visibility is excellent. Steering is remarkably responsive.

In all, the VW Truck is as easy to handle as it looks. The rear-mounted engine gives sure-footed traction in mud, ice and snow. The Volkswagen will climb 24% grades fully loaded, which helps explain why it's so popular in San Francisco and Switzerland, too.

A billboard on wheels

The VW Panel Delivery offers a unique extra advantage—106.7 sq. ft. of space for advertising. You can design each side from front to rear—the back—even the top. Volkswagen's distinctive design is a good advertisement in itself.



VW Trucks lend themselves admirably to interior and exterior modifications to suit individual requirements. Your authorized Volkswagen dealer will be glad to show you how plumbers, cleaners, contractors and a host of others have converted their trucks.

The Volkswagen Service Plan

The premise of the plan is simple: We'd rather service your truck than repair it. When you buy a VW Truck you get a 6-month, 6,000-mile (whichever occurs first) parts and labor warranty. You also get a service book that starts you off with two free inspections and then provides for preventive maintenance on a planned basis for 30,000 miles. A second book carries you up to 100,000 miles.

Service books are honored by all authorized VW dealers. There's one in practically every large city in all 50 states. At every authorized VW dealer you'll find a staff of VW mechanics trained in VW methods under factory supervision. Each dealer has available a full supply of Genuine VW Spare Parts, reasonably priced, including a large number of factory-rebuilt assemblies.

Models to choose from

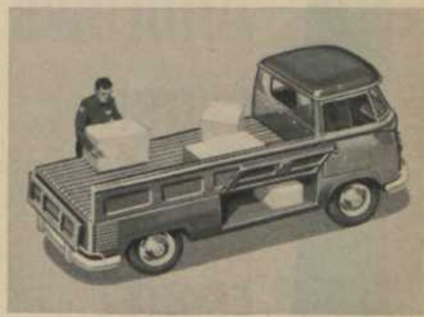
The Panel Truck is the most popular model. Its 170 cu. ft. capacity makes it ideal for deliveries. It can be adapted to hundreds of special uses because of its unobstructed inside space.

The DeLuxe Station Wagon. Carries 9 people comfortably, even luxuriously. You'll find the DeLuxe Station Wagon's interior appointments quite handsome. The middle and rear seats are removable to make extra cargo or baggage space.

Recommended for resorts, schools, bus lines, and nice for the family, too.

The Kombi Station Wagon. Combines features of the Station Wagon and the Panel Truck. As in the Station Wagon, two seats can be removed to change it from a passenger car to a cargo carrier with a capacity of 1,786 pounds. Or, with one seat removed, it carries 6 people, plus 1,336 pounds. Many businessmen use it for deliveries during the week. Weekends it's a family Station Wagon.

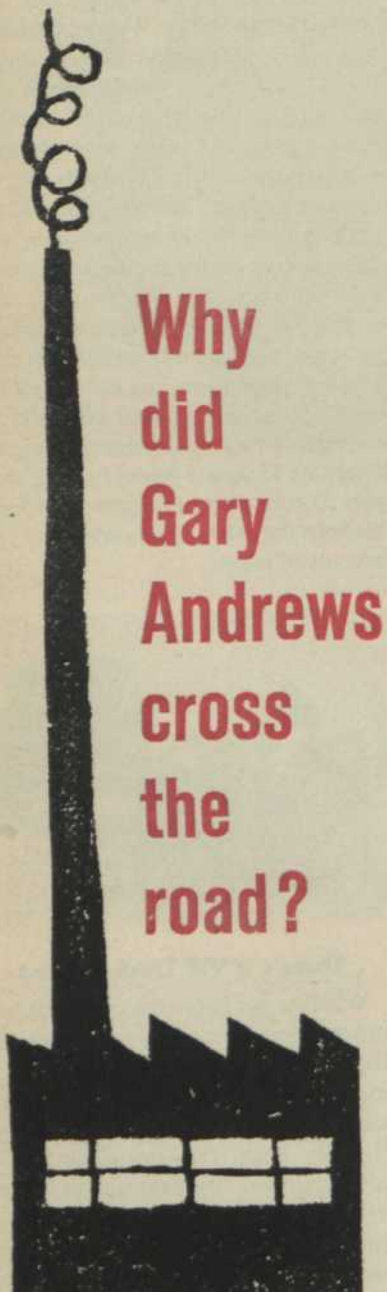
The VW Pick-up. A unique feature is its hinged sides that drop down for easier loading. Sides down, you have a platform truck; by adding a fitted tarpaulin you convert the Pick-up to a neat looking van. There are 45 square feet of loading space, plus 23 cubic feet in a waterproof locker between the axles. Total capacity is 1,764 pounds of cargo.



There's a VW Truck for you

Whether you live in the city or country, and whatever your business, if you deliver loads of under a ton, the chances are you can do it more easily and more economically with a Volkswagen Truck. The VW Panel Delivery costs $1,895* fully equipped. The best way to find out *all* about the Volkswagen Truck is to talk with your nearest authorized Volkswagen dealer. Or, talk with a Volkswagen owner. They'll both tell you the same thing.

* *Suggested retail price for East Coast P. O. E.*



CRISIS IN SCHOOLS

continued

the state department [of education]. We have to permit inspection trips by state employes who receive part of their money from the federal government. We have to hire teachers whose qualifications are approved by the same groups. We have to send our teachers to conferences designated by these authorities.

"In other words, we are perfectly able to work out our own course of study in all other technical fields because we get no federal money—but, because we get federal support for agriculture and home economics, we have to accept courses of study worked out by other people. We also have to accept supervision from the outside in those fields.

"Other examples of control in these fields are these: We are told how long our periods of recitation have to be—that's not true in any other field. We are told how large the classrooms and the shops have to be, what type of equipment we have to have, even the type of floor in the rooms. We are told about how much money to spend per student. We are not allowed to use the teachers in those departments in any other fields. If we do, we lose our federal money.

"If this doesn't constitute control from Washington, then at least it's a reasonable facsimile."

Another by-product of federal intervention in education is the restrictive effect on local planning. Dr. John R. Miles, manager of the education department of the U. S. Chamber of Commerce, says that many local school boards and school jurisdictions are no longer deciding how to organize or what to emphasize in their programs on the basis of local needs, but on the basis of what they can get from state and federal government by participating in their programs.

New research by the Education Department of the United States Chamber of Commerce throws some revealing light on the true status of public school education and the needs of the schools:

Investment in education

The Chamber's research shows that education ranks among the country's biggest industries.

Expenditures for public education (elementary, secondary and higher) have risen from $147 million, or 1.1 per cent of total national income, in 1890 to an estimated $19.5 billion, or 3.9 per cent, in 1959-60. During that period, enrollment multiplied three times, prices 3.3 times. These two factors, without considering any other changes such as expansion of program, would have called for a 10-fold expansion of educational outlays. But educational expenditures multiplied 130 times.

Expenditures for all education—public and private—in 1959-60 are estimated at $24 billion, the equivalent of 4.8 per cent of the gross national product.

In addition, information published by the United Nations indicates that the United States spends a larger share of its national product on education than other countries.

Russian spending

The Office of Education, in a 1959 report, stated that "it is generally conceded that from 10 to 15 per cent of the total national income (of the U.S.S.R.) is channeled into education of all types." What this statement fails to show is proof. Soviet education data, like most of its other statistics, is a miasma of assumptions, hidden clauses, disguised items and uncertainty.

The Russian budget for 1960 totals 745 billion rubles, of which 102 billion rubles (13.7 per cent) are earmarked for "education and culture." But in Russia these two terms cover not only classrooms and other school facilities but the radio networks, TV system, theaters and museums, and other nonformal educational activities which are not included in U. S. statistics on school expenditures. The Russians' manner of itemizing such budget components reflects the totalitarian approach to education—which simply means the control and conditioning of the experience of a people through all means of communication.

If American "education" were given the broad interpretation which Soviet Russia gives it, our education record could be shown to be even more impressive than that revealed by present figures on the public schools. As Prof. Harold F. Clark of Columbia University recently pointed out, we could count not only the public and private schools of the regular school system, but the $7 billion a year which industry spends to train and develop its people; the vast educational efforts of voluntary organizations such as labor unions, business organizations and civic groups, and the burgeoning field of self-education.

"In 1958," the Chamber says, "education in this country received 14.5 per cent of all general govern-

(continued on page 64)

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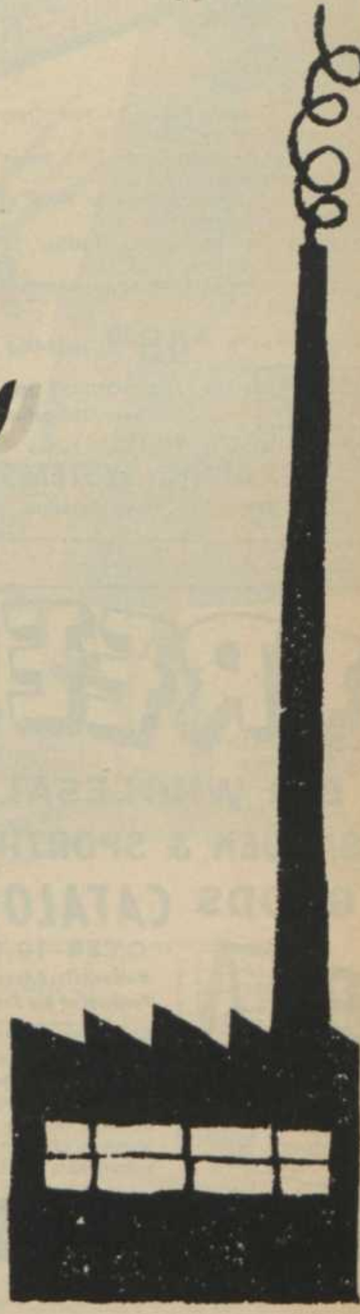

THE TRAVELERS

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CRISIS IN SCHOOLS
continued

mental expenditures (federal, state, local), up from 10 per cent of all governmental spending five years earlier.

"We believe," the Chamber says, "that far greater investments in education are called for in the years ahead, and that they will, if wisely applied, yield high returns to the American people. But the facts demonstrate that the schools are not being discriminated against in the allocation of the nation's resources. There is every likelihood that even greater funds would have been made available to the schools if the overall tax load had not risen sharply."

Over the past 30 years, school enrollments increased 42 per cent, but school expenditures rose 571 per cent. Between 1950 and 1960 school spending grew an average of $1 billion each year, tripling the total annual investment within 10 years.

Growing enrollments

In a pamphlet entitled, "Can America Afford Better Schools?" the National Education Association demands that the funds for public education double, or more than double, within 10 years. This, the Chamber points out, would raise public school outlays from $15.5 billion in 1959-60 to $31 billion by 1969-70. The Chamber continues: "Can such demands be justified by prospective enrollment increases? Clearly not, because public school enrollments (projected) are likely to grow only half as fast between 1965 and 1970 as they grew between 1955 and 1960. Pressure on our schools will be less in the 1960's than it was in the 1950's, because enrollment increases will gradually decline."

Teacher shortage

Because of low birth rates in the 1930's and the baby boom of the postwar era, the number of persons in the age group which normally enters teaching has declined while the teaching load has increased.

But the record shows that the schools have been remarkably successful in attracting a larger percentage of the smaller age groups into teaching. The percentage of college students choosing a teaching career grew from 21 to 32 per cent of all graduates in the past 10 years. While the civilian labor force increased only 12 per cent, the public schools were able to expand their instructional staff by 51 per cent.

One reason mentioned by the Chamber for the remarkable rise in applications for teaching jobs is the increase of teacher pay—which went up 45 per cent in constant dollars between 1949 and 1959, as compared with a raise of only 29 per cent for all employed persons in that time.

In this field, as in others, statistics have been distorted.

In the period 1955-58, for example, the Office of Education consistently issued advance reports on the available number of teachers, which turned out to be from 57,000 to 73,000 short when final reports came in. The reason for this is apparent: The government calculations counted only the newly hired teachers who came directly from college. They did not count women who left schools to raise families and were returning to teaching; teacher graduates who tried nonschool jobs and became disillusioned, and others. This has led to repeated reporting of teacher shortages of at least twice actual size. Even the NEA has recognized that half of the new teachers added to school staffs each year do not come directly from college graduation.

The Office estimated a shortage of 132,200 teachers for the school year 1958-59. On August 30, 1959, it reported that there had been 65,900 more qualified teachers in the public schools in 1958-59 than it had estimated. But instead of reducing the earlier reported shortage by 65,900, the Office increased it by 50,000 in its most recent report! It raised the shortage for 1958-59 retroactively from 132,200 to 182,000 and reported it for 1959-60 at 195,000.

For some time, the Chamber says, it has been clear that the teacher shortage is diminishing except in particular subject matter areas in secondary education. As salaries rise and working conditions improve more people trained to teach tend to return to their profession from other occupations. Yet the confusing

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CRISIS IN SCHOOLS

continued

statistics on the supply of teachers continue to flow from Washington.

Teacher training

Research by the National Chamber shows that the percentage of non-degree teachers in the public schools has been rapidly declining. An Office of Education study in 1956 disclosed that 86 per cent of beginning teachers have a college degree and that 88 per cent of those with substandard teaching certificates were preparing for a standard certificate.

The non-degree teachers are concentrated in a few locations, principally the Plains States, where some 34 per cent, by latest count, lack degrees. Thus, most non-degree teachers are in small rural areas. To solve this problem the Chamber urges that school districts be reorganized and consolidated so that the schools can pay higher salaries to remaining qualified teachers and raise the hiring standards for new teachers.

Interestingly, available information indicates that while enrollment increases in the public schools will be cut in half between now and 1970 the supply of newly graduated teachers will double.

Men in teaching

A National Education Association spokesman, testifying before the House Education Committee, expressed concern over the loss of men from teaching. The fact is that the percentage of men among classroom teachers has risen from 14.1 per cent in 1920 to 27.6 per cent at present.

Teachers' pay

The Chamber concludes that teachers' salaries, as well as those of other professional and managerial workers, have not risen as fast—proportionately—in recent years as have those of manual workers. Teachers' salaries, however, have risen proportionately more than the wages of all employed persons.

The NEA's figures show that average salaries of teachers and other instructional personnel have increased by 71.4 per cent over 1949-50 and 4.5 per cent over 1958's average of $4,939.

School construction

The Commissioner of Education told the House Education Commit-

(continued on page 84)

"Does Motorola 2-way radio pay off?
... every set we install pays for the next"

"The time and mileage we're saving with our Motorola 2-way radio has more than paid for this new set. But that's only part of the story. Motorola radio control has helped us grow from a 2-truck to a 3-truck operation in little more than a year. And our customers say they've never had better service!"

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SPECIAL LETTER

NATION'S BUSINESS EDITORS REPORT ON: labor's plans

THIS IS WHAT UNIONS WANT--this year--that will affect your business:

More taxes on business, more public spending.

Higher wages, more union members from among white-collar workers.

Higher minimum wage, covering more workers; increased social security benefits; approval of certain secondary boycotts at construction sites.

Election of a President, Congress and state legislatures more amenable to union objectives.

Those are organized labor's immediate goals. Goals, plans for achieving them have been set at closed-doors meetings of labor's hierarchy.

HERE ARE labor's aims, hopes, expectations:

Presidential election--AFL-CIO will endorse, work hard to help elect, Democratic nominee for President--unless it is Senate Majority Leader Lyndon B. Johnson of Texas. If Johnson is nominated, endorsement doubtful.

Likely Republican nominee, Vice President Nixon, will not get important labor support unless Johnson, some other conservative is put up by Democrats.

If Republican issue of "peace and prosperity" stays alive, Nixon will be unbeatable, labor politicians feel.

Congress--AFL-CIO's Committee on Political Education has more hope of helping elect more friends to Congress. Main goal: To get 15 more union friends in the House. That many would give labor a hard-core majority of members who would vote labor's way on any issue. In the Senate, already friendly, some gains are expected.

State legislatures--The fight over right-to-work laws which ban compulsory union membership will shift from state referendum, become issue in many legislatures which will be elected this fall.

Special efforts will be made to elect friendly legislatures in seven states where major fights are expected.

These are Indiana, Iowa and Utah, where drives will be made to repeal

right-to-work laws. Also Delaware, Maryland, Vermont and California, where unions expect efforts will be made to pass such laws.

Federal legislation--What labor wants most is revision of Landrum-Griffin law to yank its teeth, but realizes this is impossible from this Congress.

It expects some increase in $1 minimum wage, maybe to $1.10 or $1.15 an hour (instead of $1.25 asked), with an extension of coverage to retail and service employes having less chance.

Union membership--Labor union membership has not kept pace with growth in labor force. Bureau of Labor Statistics fixed over-all membership at 18.1 million in 1958, a drop of 400,000 in two years. Some of this drop reflected recession. Some has been recovered.

AFL-CIO organizers blame growing shift in labor force from factory to white-collar workers and unions' inability to attract latter in large numbers.

They have recommended a three-point program: (1) eliminate jurisdictional fights among unions; (2) start a training program for union organizers; (3) put more money and men--particularly white-collar types--into organizing.

Special seminar on problems of unionizing professional, technical workers held at Harvard. AFL-CIO experts agreed more research needed, big push for unionization must come from large unions representing hourly workers, rather than among professional workers.

Wage demands--Unions will continue press for higher wages regardless of productivity, impact of higher unit costs on prices. More unions will coordinate bargaining strategy when facing same company, industry.

Strike threats will increase because of growth of strike funds, fact that more unions are paying benefits to members on strike. Why work when strike means union-paid idleness?

Current talk of holding conferences between top labor and management officials to discuss ways of easing bargaining tensions won't get far.

Economic policy--Labor economists say Eisenhower Administration must take immediate steps to avert recession being predicted for next year--and Congress must enact "counter-recessionary measures" to be ready for use if decline comes.

THE NEXT TEN YEARS

HOW BUSINESS WILL CHANGE

This Nation's Business interview with a recognized authority on industrial organization answers your questions concerning the years ahead

MAC SHAFFER

Ralph C. Davis, professor of business organization, Ohio State University

THE NEED for top-grade management personnel will double in the next 15 years.

Companies able to fill their need for good managers will be those which begin now to plan for the future.

Others will face a shortage.

One man who has given a great deal of thought to this problem is Ralph C. Davis, professor of business organization at Ohio State University and a recognized authority on the teaching and practice of industrial management.

Professor Davis is the author of many books and articles. Last fall he was cited by the Society for Advancement of Management for "outstanding contributions to the science of management."

In this exclusive interview with an editor of NATION'S BUSINESS, Professor Davis answers questions about key management problems he envisions for the 1960's. His suggestions and comments should help forward-looking businessmen.

Professor Davis, what will be the greatest managerial problem of the years ahead?

The continued development of top-grade executive leadership for our business organizations. A number of conditions and considerations support this opinion: No organization can, in the long run, be any better than its leadership. We are committed to a steadily increasing standard of living. We shall need superior business leadership to accomplish this objective.

There is no such thing, of course, as a permanent, nonprofit economy, whether a country is operating under a system of private capitalism or state capitalism.

Such a concept is ridiculous, obviously. A permanent, nonprofit economy would be one in which society expends more values to create other values than the latter are worth. A public policy based on such a concept could lead only to national bankruptcy. Russia, for example, has a no-dividend economy for its private citizens, but not a nonprofit economy. The citizens of the United States have indicated repeatedly their preference for an economy based on private capitalism, private enterprise, free markets and free competition.

The problem requires, therefore, more than the development of ex-

ecutives who can manage our enterprises economically. They must direct the provision of increasing per capita quantities of goods and services, at prices that the public can afford to pay. These goods and services must be provided at a cost that will leave an adequate profit margin for our private enterprises.

It should be obvious that we cannot have a system of private capitalism, a growth economy and an increasing general standard of living, without increasing our pools of private capital. The conduct of a private enterprise must be in harmony, necessarily, with current customs and ethics as expressed currently in regulatory legislation.

So this modern executive must have breadth, courage, integrity, creative imagination, and other qualities of superior leadership. We have today some top executives who can easily meet the qualifications and requirements for leadership during the coming decade. The problem will be, partly, to develop replacements for those executives who cannot qualify, as well as additional executives who can. The ratio of executive to operative employes should increase moderately with the growth of the economy.

What other problems do you foresee?

The efficient use of manpower and physical resources is another problem. The featherbedding problem is an example. There is evidence that the public is becoming less tolerant of inefficient, wasteful practices. This changing attitude is understandable. We have a $41 billion defense budget. The purchasing power of the dollar is decreasing. The erosion of the real value of insurance policies and pensions is continuing. There are other financial problems that worry many of our citizens.

A related problem will be the development and maintenance of good morale among the employes of business organizations. Morale development requires an integration of organizational and employe interests. The personal interests of executives and operatives depend on an effective, economical accomplishment of the company's customer service objectives. Employes must understand this dependence.

Is this part of a bigger problem?

Yes. It is part of a larger problem of developing good business relations generally. These include investor relations, customer relations, dealer relations, supplier relations, financial relations, and public relations, as well as labor relations. These relations are phases of the vast problem of morale in an expanding industrial economy.

Acceptable solutions depend on the development of some basic philosophy of management. It cannot be a basis for solving business relations problems, however, unless it is known, understood, accepted, and supported by the public. Such a philosophy must be in line with the public interest, obviously. Any philosophy is the basis of value concepts in the particular area to which it relates.

A philosophy of business management is a philosophy of executive leadership in our business institutions. Such a philosophy supplies the basis for creative thinking. It underlies effective executive decision-making. It fosters cooperation and coordination. It is a basic requirement for economical and effective business operations, as well as sound business relations of all kinds.

There is no question that such a philosophy is evolving rapidly in the United States. This is one problem about which we can be certain.

Is present management philosophy not understood?

The correct answer is, probably, that it is not.

More than 80 per cent of our secondary-school students do not go on to colleges and universities. It is possible, of course, that most of them should not. All of them may become voters, however. Their ideas become part of the climate of public opinion. This climate influences legislation. It affects organizational morale and many other management problems. Our secondary-school students get a better understanding of basic economics than formerly.

It is doubtful, however, that they

What is the greatest managerial headache you'll face?

?

Will more decisions be made by machines?

?

How many executives will be needed by 1975?

?

What makes good leaders?

?

What can a company do to stimulate creative thinking?

?

How can management productivity be measured?

?

BUSINESS CHANGE
continued

get an understanding of what management is. It is doubtful that they realize the vital nature of management's contributions to an increasing standard of living. It is unlikely that they know much about what it takes to manage a business.

Who is to blame for this?

Business leaders may be more at fault for this than educational leaders. I have seen many films that industrial organizations lend to schools and colleges. These usually show some complex operations. The alleged superior customer values of the company's products are explained. Some general statements indicate that these benefits depend on "tool owners," and that is it. These films are interesting. It is doubtful, however, that any large number of viewers gets any clear understanding of the contributions of the executives who manage these companies.

Yet the salaries of these executives may appear excessive to the average citizen. If these viewers do not understand, then we have identified another management problem of the 1960's.

It is a responsibility of leadership, in any field, to determine objectives and policies. It must plan, organize and control the activities that are necessary to accomplish these objectives. It is a responsibility of business leadership, accordingly, to determine what probably will be the future needs and desires of a company's customers. It must have the authority to design and develop the organizations and operations that are required to supply these values.

The continued development of long-range planning by business organizations, both large and small, will be a problem. Associated with this is the problem of management's right to manage.

Both of these problems depend on the continued development of an acceptable management philosophy.

Do you foresee a shortage of management personnel in the decade ahead?

Yes. If we increase our per capita consumption and production, we shall need more executives—and probably more proportionately—at all organizational levels.

Will more decisions be made by machine?

Perhaps. Where we have routine

Cook's Aluminum Enamel finish—good for one car life!

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BUSINESS CHANGE

continued

and repetitive problems, such as some of our inventory control problems, we may be able to set up some model or formula to determine best results. The decisions as to what are best results, under the conditions of the problem, can then be made automatically by a computer.

But I think you will have to check even these repetitive decisions. A model is based on factorial relationships in the past and to some extent on past data. Someone must ask, usually, "Does the answer make sense?" The mechanized decision may provide a better basis for executive judgment. It is not a substitute for it.

How many executives will we need by, say, 1975?

It is quite possible that the number of managers will have to double in that time. This is merely a guess, of course.

It depends on your definition of a manager, and on the degree of probability that certain situations will continue to develop.

What are the chances that we can get that many?

Because of the low birth rates in the 1930's and later, we shall not have large numbers of people from which to pick people of top management caliber during the 1960's. We can expect a shortage of good management personnel, despite the higher birth rates since World War II. Executive development is a long-term problem.

We shall probably differentiate more between administrative and operative management. It becomes increasingly necessary to decentralize functions with increasing business volume.

The responsibility for short-range decisions concerning current operations must be delegated as a business grows.

As I am using these terms, operative management means project management. The project may be the execution of a production order in a factory, or the sale of a special purchase of merchandise by a store.

Administrative management is planning, organizing, and controlling the activities of organizational groups to accomplish group objectives. It involves responsibility for intermediate and long-range decisions, usually. Under the conditions of population and growth that are envisioned, we must conserve our best brains for the long-range plan-

BUSINESS CHANGE

continued

ning decisions that require creative imagination.

How do you find good leaders and how do you train them?

We can expect increasing help from industrial psychologists. They can and probably will narrow the margin of error greatly. It will still be necessary, probably, to make the final identification of leadership material through trial and error, based on evaluations of performance records.

What makes good leaders?

Three factors are involved: the leader, the led, and the particular situation. These factors interact. The qualifications for leadership success in one situation may be different from those in another. These factors and their relationships can exist in an infinite number of kinds and degrees. No one has been able to write a formula for success for this reason.

The higher one advances in an organization, the less important is technical specialization. Breadth of background, training and experience become more important.

A young man who aspires to reach top management should get a variety of experiences in a variety of situations in the industry and company of his choice. This variety is one of the objectives of company training programs for college graduates.

The would-be executive must give some convincing evidence of leadership qualities. He must, for example, be willing to accept the risk of decision-making for problems within his area of responsibility. He must accept accountability for the results of his decisions. He must have mental courage.

The work of management is largely the work of problem-solving thought. There is a logic of effective thinking for the solution of problems in every major field of human endeavor. The executive candidate must understand the approaches to the solution of problems in his field. He must acquire some skill and experience in using these approaches. This means that he must like to solve problems. He must be willing usually to learn from others who have solved similar problems before him.

At the same time, he must avoid complete indoctrination with traditional policies and methods. Some

from idea to finished product

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BUSINESS CHANGE

continued

unity of thought and action is necessary for organizational effectiveness. The business organization cannot tolerate uniformity of thought and action under competitive conditions.

The young executive will do well to join a professional society, attend its meetings and seminars, and read business periodicals. He must be able and willing to work harmoniously with other members of his organization. He must do this under the general direction of his superior. We develop this ability to work with others by working with others on common problems.

Will the people from whom we pick future managers be better as a group?

Yes. We have an increasing quality of professional management education in our colleges of business administration, particularly at the graduate level. The young men of today are not necessarily smarter. I think they have a broader and better background than their fathers. I am certain they have better training in business problem-solving.

The body of knowledge involving problem-solving is improving?

I think so. Each of these colleges is carrying on some research programs.

What can a company or an individual do to improve the atmosphere for creative thinking?

It should distinguish between problem-solving thought and creative thinking. Only routine thinking is required when the methods, relations and conditions governing the solution are well fixed. Where the objectives, principles, and general methods of approach are well established but the conditions of the problem are changing, some original thinking of the problem-solving type is required.

When we get into areas for which we have few precedents, for which the objectives, principles and procedures are not well established, some creative thinking usually is required. Some of the work of creative thinking appears to be performed below the level of conscious thought. The subconscious mind plays some part that is not well understood.

The time required for creative thought varies greatly with individuals and problems. Emotional disturbances and excessive time pressures tend to distort or retard these processes. The company should create an environment that fosters creative thinking.

What can a company do to create an atmosphere in which men can achieve higher goals?

Establish an atmosphere for innovation; encourage new ideas; do not encourage thoughtless, unquestioning conformity. Avoid the situation where we have to wait until the boss speaks before we know what to do.

The more we decentralize, develop an atmosphere of innovation, put people in situations where they must come up with ideas, the more we shall be able to sift out those people who do have imagination, vision, and creativity.

The basic force in organization that motivates common men to achieve uncommon goals is superior leadership, of course.

Does the company have some function other than making profit?

Yes. The primary objective of the business organization is customer service. A profit is a collateral objective, however. One cannot get the customer's dollar until one has made a sale. It is difficult to sell something no one needs or desires.

In a free-market economy the customer is under no obligation to pay prices that will assure a profit for a company. It is the manager's problem to develop and maintain a margin between net sales and total expenses of the business.

How do you measure management productivity?

The productivity of management is measured by the contributions of executive leadership. These flow from the work of planning, organizing and controlling the operations of the organization. The evidences of managerial productivity may be seen, in manufacturing plants, in improved capital turnover ratios, in a reputation for consistent quality, in new product leadership, and in other developments.

A productive management is one whose organization is maintaining or improving its share of its market, while making a competitive profit or better. A management that improves its share of the market by giving its business away can hardly be regarded as productive.

It has been recognized previously that competition must be free but fair, and in line with the public interest.

We have executive evaluation, of course. We have quantitative and qualitative measures of the contri-

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butions of individual executives. We must recognize, however, that many of the values that are contributed by good management are intangibles. Such values cannot be expressed accurately by numbers.

Will the need to maintain morale be greater in this decade than it was in the 1950's?

Yes, it will. It looks, at this time, as though the top corporate managements will fight for their rights of decision and command, in matters having to do with improvements in the economy and effectiveness of business operations. The exercise of these rights is subject to negotiation in individual cases. These may develop when employe representatives complain of unfair treatment of employe interests.

It also looks as though labor leaders will resist attempts to exercise these management rights. This can cause a serious deterioration of labor-management relations. There is a possibility of a business recession during the 1960's. We must face increased competition from abroad, while trying at the same time to maintain economic leadership in the world. Price inflation is likely to continue so long as we must maintain huge defense budgets and large foreign aid programs.

So the conclusion would have to be this: The difficulty of maintaining morale in business organizations during the 1960's will be at least as great as the 1950's; probably greater.

What contributes to low morale and what can be done about it?

The answer depends on the leadership, organizational and business situations of the particular company. Consequently, we cannot go beyond a general answer. There are a number of general morale factors, of course. They may depress morale or stimulate it in different situations. The most important, probably, is good leadership. The list would include, in addition, opportunities for constructive contributions beyond those normally required, personal recognition and reward for superior performance, a feeling of belonging to the team, and many others. These are in addition, of course, to such basic values as good wages, hours, and working conditions.

Then one of the needs of top management for the 1960's will be to develop

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BUSINESS CHANGE
continued

employe support for the goals and objectives of the company?

Yes. Executive support depends on good organizational morale. Good leadership is certainly a basic factor in the development of good morale. A sound management philosophy is a requisite for good leadership. It is the basis of confidence in leadership. A good leadership is usually a strong leadership. It has the courage as well as the right to make the necessary decisions. It has the moral strength to require compliance with these decisions. You cannot develop strong organizational morale on the basis of weak discipline.

What significant changes in business organization do you expect in the decade ahead?

A continuing trend toward decentralization and diversification. In industry, this usually requires a product-line, profit-center, basis for decentralization. It will be accompanied, probably, by further dispersion of business operations. New products and processes can be expected as a result of continuing research and development. These new products may open new markets and require new channels of distribution. Our population is increasing and its age mix is changing. Customs will change. Large corporations will increase their overseas operations. The number and effectiveness of small business organizations will increase.

The need for employe support is accompanied, is it not, by a need for developing public support?

Oh, yes. The public should recognize, of course, that the business organization is primarily an economic institution, not a social agency. This does not alter the requirement that a sound management philosophy must be in line with the public interest.

These and other factors will force significant changes in the structure and methods of business organizations. The exact nature of these changes cannot be seen now. It is obvious, however, that organizational forecasting based on long-range planning will be necessary.

In the evolution of management techniques, does bigness promote harmful conformity?

It depends on top leadership. We depend on innovation for competitive success. We can get a competitive quality advantage when we develop some product or service that has some unique combination of quality attributes. That has the effect of relieving us temporarily of competitive pressures. Such developments cannot be made by executives and specialists who are stereotyped thinkers. This is true in other areas of management, too. We want more original thinking. **END**

CRISIS IN SCHOOLS *continued from page 66*

tee in 1954 that, at the prevailing construction rate, the classroom shortage would total 470,000 by 1959-60. The chairman of the Senate Committee on Labor and Public Welfare predicted on Jan. 27, 1955, that the shortage, within three years, would climb to 600,000.

Two months later the Secretary of Health, Education and Welfare told the Committee: "We find that the estimated classroom deficit by the year 1959-60 will be 176,000 classrooms rather than 470,000."

Last December Secretary of Health, Education and Welfare Flemming released a report stating that a shortage of 132,400 classrooms existed in the school year 1959-60.

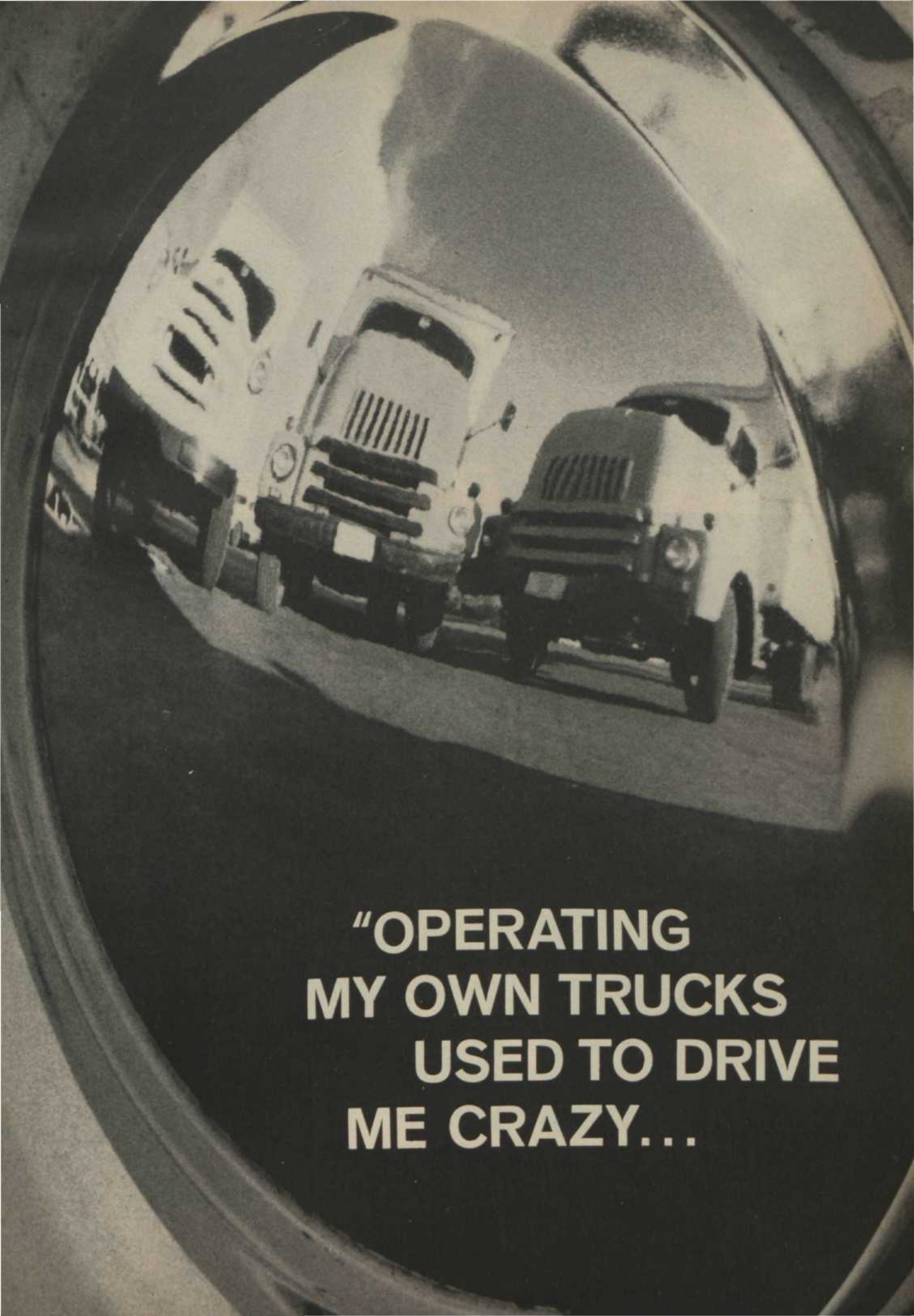
This estimate was reached by asking state departments of education to estimate the size of the shortage in their respective states. No uniform standards are prescribed for such estimates.

In some states, it is true, classroom construction is lagging. A few may be waiting for federal money which they have been promised for several years. But a reasonable question is: "Does local reluctance to issue bonds or to boost taxes justify taxing the rest of the country for the benefit of communities and states which would like to shift their responsibility to others? If new schools do not seem worth your own money, why should they be worth somebody else's?"

Four factors have been blamed for restraint on school building construction. These include:

1. The fact that some school systems have been postponing building plans in the hope of getting their schoolhouses through federal aid.

(continued on page 89)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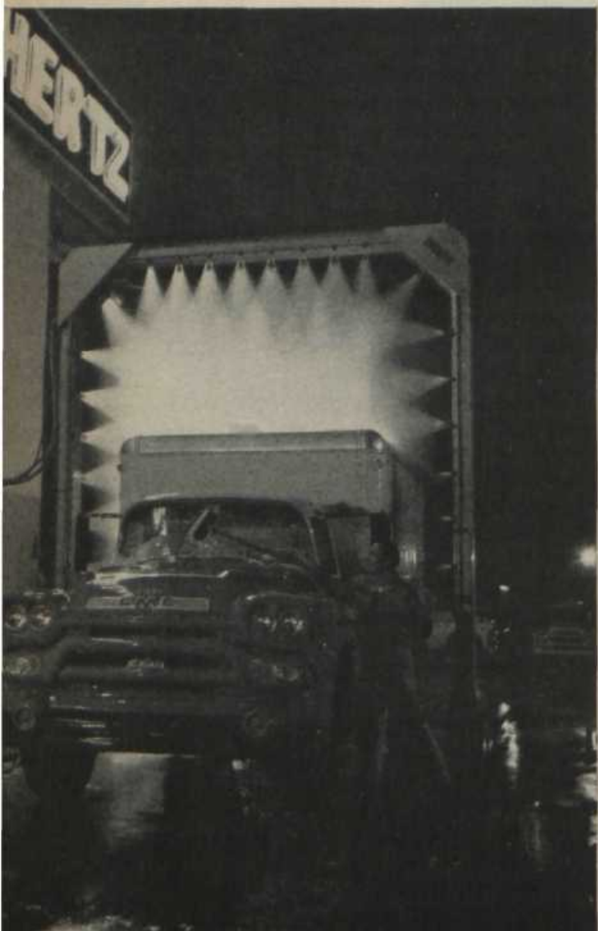

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CRISIS IN SCHOOLS

continued

2. The fact that the huge and existing tax and debt burden—largely federal—exerts a restraining influence upon the voters.

3. The fact that regional conflicts over desegregation or school district reorganization or public vs. private schools adversely affects the willingness of people to go ahead with construction projects.

4. The fact that the cost of some school building proposals delays the acceptance of those or subsequent projects.

Much of the debate over federal-versus-local solution of the nation's school problems brings on the question of whether states and communities have sufficient fiscal capacity to handle the demand for more schools and higher teacher salaries.

Some authorities point out that school bond sales in 1959 lagged somewhat behind the preceding year. But many school districts have reached a level of school construction which they do not now need to maintain. This fact could account for the decline.

A total of 623,000 classrooms have been completed in the public school system since World War II. These rooms house half our public school children, or 18 million. This record, when contrasted with that of the Soviet Union, is impressive. The Soviet Union's own magazine, *USSR*, reported late in 1958 that the Russian government had, between 1946 and 1955, built 29,555 schools to accommodate five million youngsters. By 1960 it promised another four million children would be studying in newly built schools. Altogether, Russia planned to build schools for nine million children between 1946 and 1960. Furthermore, Russia's children, according to reliable reports, are in many instances on double shifts, in classes that typically number 40 to 45 pupils.

State finances

In suggesting that school funds be at least doubled within 10 years (although enrollment will rise only 20 to 24 per cent), the National Education Association states that, under the present tax system, this will mean increases in real estate taxes of from 50 to 90 per cent, or raising sales taxes from two to four per cent, and income taxes from two and a half to five per cent. It says that the states and communities obviously cannot carry this heavier

CRISIS IN SCHOOLS

continued

tax burden. This argument overlooks the fact that every tax dollar spent by the federal government also comes from the pockets of the American people.

"It is self-evident," says Roger A. Freeman, author and recognized authority on education, "that there are no resources, no wealth nor income, in the United States which are not located in the states and subject to their taxing powers. There is no magic in the federal Treasury aside from its ability to contract debts of astronomic proportions. The alleged vastly superior federal taxing power has been inadequate to meet expenditures in five out of every six years over the past three decades. But it has imposed confiscatory tax rates—going as high as 91 per cent—which tend to destroy economic incentives to work, to risk, to succeed. It has boosted the national debt to almost $300 billion and cut the dollar's value into half. How much farther can we travel on this road?"

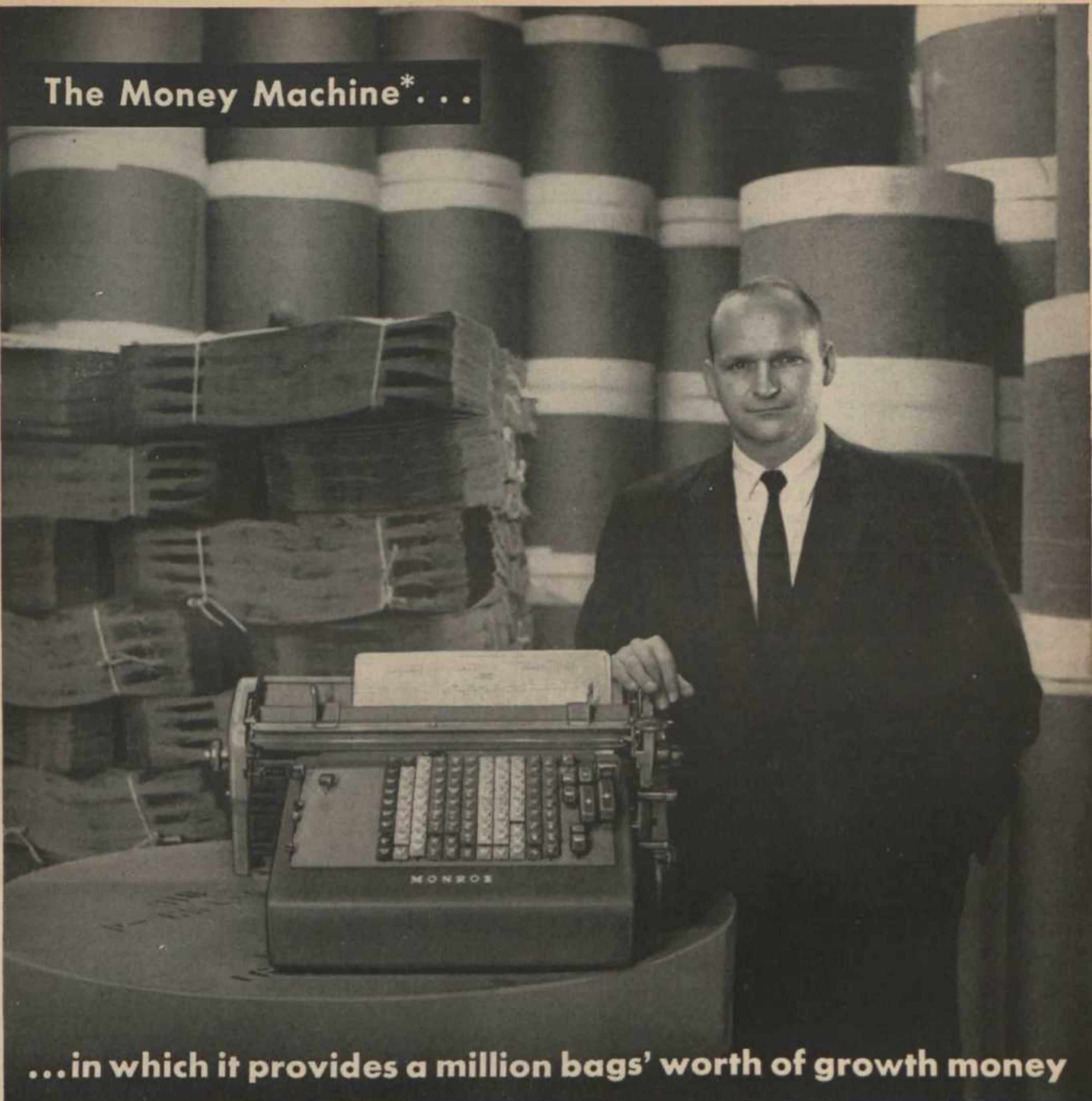
The states have shown in recent years that they can and will raise taxes to maintain schools or other services.

Critics of federal aid believe it is significant that no state or local board of education has testified before a congressional committee in favor of general federal intervention in the schools in recent years. Some have testified against it.

Forty out of 48 chief state school officers opposed the National Defense Education Act as a permanent program. The Act and programs authorized by it are scheduled to die in 1962 but, if the past is any basis for reasoning, it seems likely that there will be strong pressures to continue the program. Federal programs, once begun, are difficult to contain or to stop.

Those who oppose federal intervention call for a return of school powers to the states. To implement this, and to help finance the real needs of local schools, they suggest tax reduction by the federal government or, barring that, to let the federal funds go to the states on a nonspecific basis, so that the local authorities could spend them as they feel they should be spent in line with determined need.

Sometimes it is argued that some states are poor and need federal help. The facts show that the differences in per capita income among the states are steadily declining, that



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CRISIS IN SCHOOLS

continued

the number of children is growing fastest in the high-income states, where taxable wealth resides; that state-local tax effort varies little between high-income and low-income states; that state and local debt, as related to personal income, is higher in the high-income states than in the low-income states, and a dollar will buy more in low-income states.

The Committee on Federal Responsibility in the Field of Education of the Commission on Intergovernmental Relations conducted a study of school finance and fiscal capacity.

It reported: "We have not been able to find a state which cannot afford to make more money available to its schools or which is economically unable to support an adequate school system."

Clearly, America must improve the quality of its education, and face up to school needs. But these challenges cannot be magically met by easy recourse to federal money. The responsibility rests with each state and each community—and it can be met there if America's citizens are willing to do the most important homework they've ever faced. **END**

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WHERE UNIONS GET POWER

continued from page 37

Needed here is more effective local law enforcement to eliminate the double standard under which certain illegal acts are condoned when committed in connection with a labor dispute. Ample evidence of this double standard was revealed in the McClellan investigation.

An example of the value of coercive power is the growth of the Teamsters Union, which is in the most strategic position of any union to apply coercion. While total union membership over the past two years dropped 400,000 to 18.1 million, Teamsters Union membership rose 50,000 to 1,418,000—the largest membership of any union despite adverse publicity stemming from the Senate hearings.

Legal immunities

Perhaps the greatest union power comes from the legal immunities granted to unions but denied to other organizations. Exemption from the antitrust laws is one of these. Unions also enjoy such other immunities as voluntary associations, although union membership is far from voluntary.

Through these immunities, labor acquires the monopoly power to shut down entire industries, to control labor supply and wages and thus control prices, to engage in featherbedding and other practices in restraint of trade.

In asserting that the labor reform legislation passed last year failed to deal adequately with "the unrestrained power of unions," Sen. Barry Goldwater, a businessman from Arizona, listed 11 privileges which he said the federal government granted to unions and which—as a package—are not granted to any other group:

1. Immunity under the antitrust laws.
2. Practically full immunity to injunctions in the federal court.
3. Immunity from taxation.
4. Power to compel employes to join unions in order to work.
5. Right to represent all employes even if only a bare majority choose the union.
6. Power to compel employers to bargain.
7. Unlike members of other unincorporated associations, union members are free from liability for the debts of the union.
8. Unions are not liable for the acts of their members.
9. Employers are prohibited from discriminating against employes because of their union membership and activities.
10. Unions have the right, during collective bargaining, to compel an employer under certain circumstances to disclose his financial records. There is no corresponding obligation on unions.
11. Unions in some situations have a legal right of access to an employer's property, right to compel him to make his property available for union use, and the right to invade the privacy of employes who are not union members.

No thought is being given at this time to lifting all of these immunities. However, proposals under consideration would remove the antitrust exemption, break up industry-wide bargaining, forbid featherbedding and other make-work practices, and eliminate union monopoly over jobs.

Political power

Labor's political and economic power are tied together. This was illustrated in the steel dispute. The United Steelworkers got, with Administration help, an economic settlement which they could not get through 116 days of striking. The reason given was that, unless there was agreement, Congress would pass legislation to force a settlement which would please the union more than the industry.

Labor's political power is also illustrated in the common belief that Congress, in an election year, will pass no legislation distasteful to organized labor.

Unions have demonstrated that, unless they are bucking a strong tide of public opinion—as last year when the Landrum-Griffin law was passed—they can effectively block most legislation which they oppose, even though they may not be able to push through the legislation they favor.

Until Congress passed the Landrum-Griffin law, unions had effectively blocked for several years all major legislation which they opposed.

Efforts are being made to curb labor's political power by stricter enforcement of the ban on political expenditure of union or corporate funds and by seeking legislation to deny the use of funds collected under a compulsory union membership contract for political purposes.

Legislation to deal with these five sources of power must be pinpointed to:

- ▶ Remove union exemption from the antitrust laws.
- ▶ Forbid industry-wide bargaining that has a monopolistic effect.
- ▶ Outlaw compulsory union membership.
- ▶ Prohibit use for political purposes of dues obtained under forced union membership.
- ▶ Forbid featherbedding and other make-work union practices.
- ▶ Make strike violence a federal crime.

Those who seek such legislation face a vicious circle. Legal immunities and privileges give unions the political power to prevent removal of the immunities and privileges which give them political power. **END**


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BUDGET STORY

continued from page 33

President to veto specific items in appropriations bills passed by Congress without vetoing the whole measure. Most state governors have this item veto power and find it useful to snip off expensive political bangles attached to necessary legislation. At present, a President has to accept or reject a bill in its entirety.

Another reform proposal is the one-package budget, or single appropriation bill, rather than a score of different appropriations bills or supplemental appropriations for different departments.

Now, no one knows until after Congress has passed all the different appropriations bills for a session just how much money was provided or whether or not it will unbalance the budget.

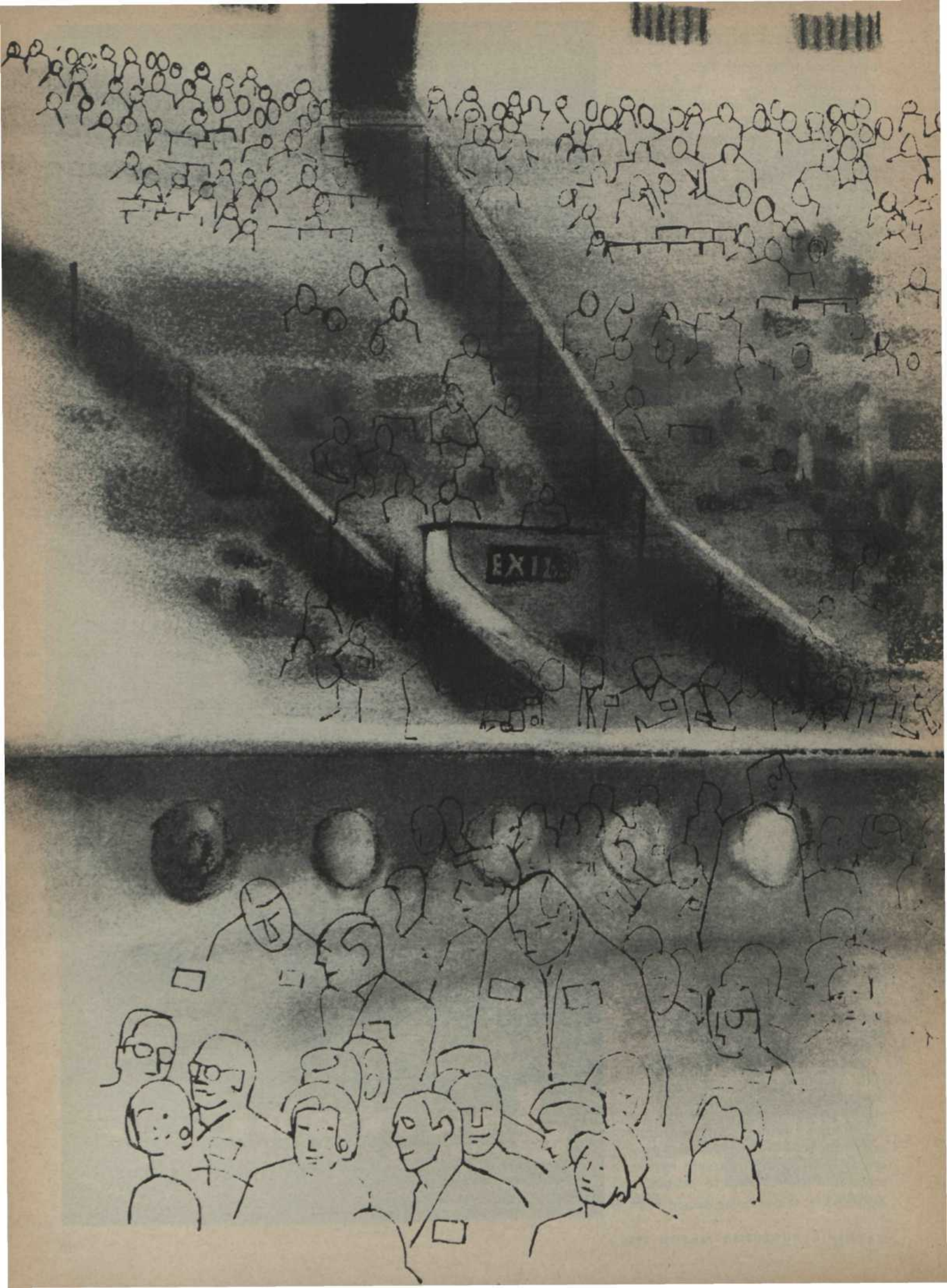
Still another major reform idea is to eliminate so-called back-door spending. Most spending programs must win approval of Congress twice.

Money for them must be authorized, then appropriated. But in recent years Congress has established programs and authorized an agency to borrow directly from the Treasury rather than justifying its spending annually before the Appropriations Committees.

Other ideas aimed at getting a better grip on the high-stepping budget and the mounting debt include a Joint Congressional Committee on the Budget, a separate fiscal session of Congress to take up money matters and a fixed percentage of each year's revenue budgeted specifically to pay off the public debt.

Any or all of these ideas might help block the spending momentum and reduce future commitments. But, this being an election year, the more easily understood and emotional appeals to voters couched in such phrases as "federal aid," "benefits," "grants" and "rights" will make the headlines. The push will be for accelerated appropriations and the promotion of bills which, if passed, could spur the spending to a runaway gallop.

That's why economy-minded officials who understand the real story behind the budget are urging better public understanding, tighter budget machinery, more fiscal restraint, and resistance to the pleas that government rather than private investment is the real key to economic growth. **END**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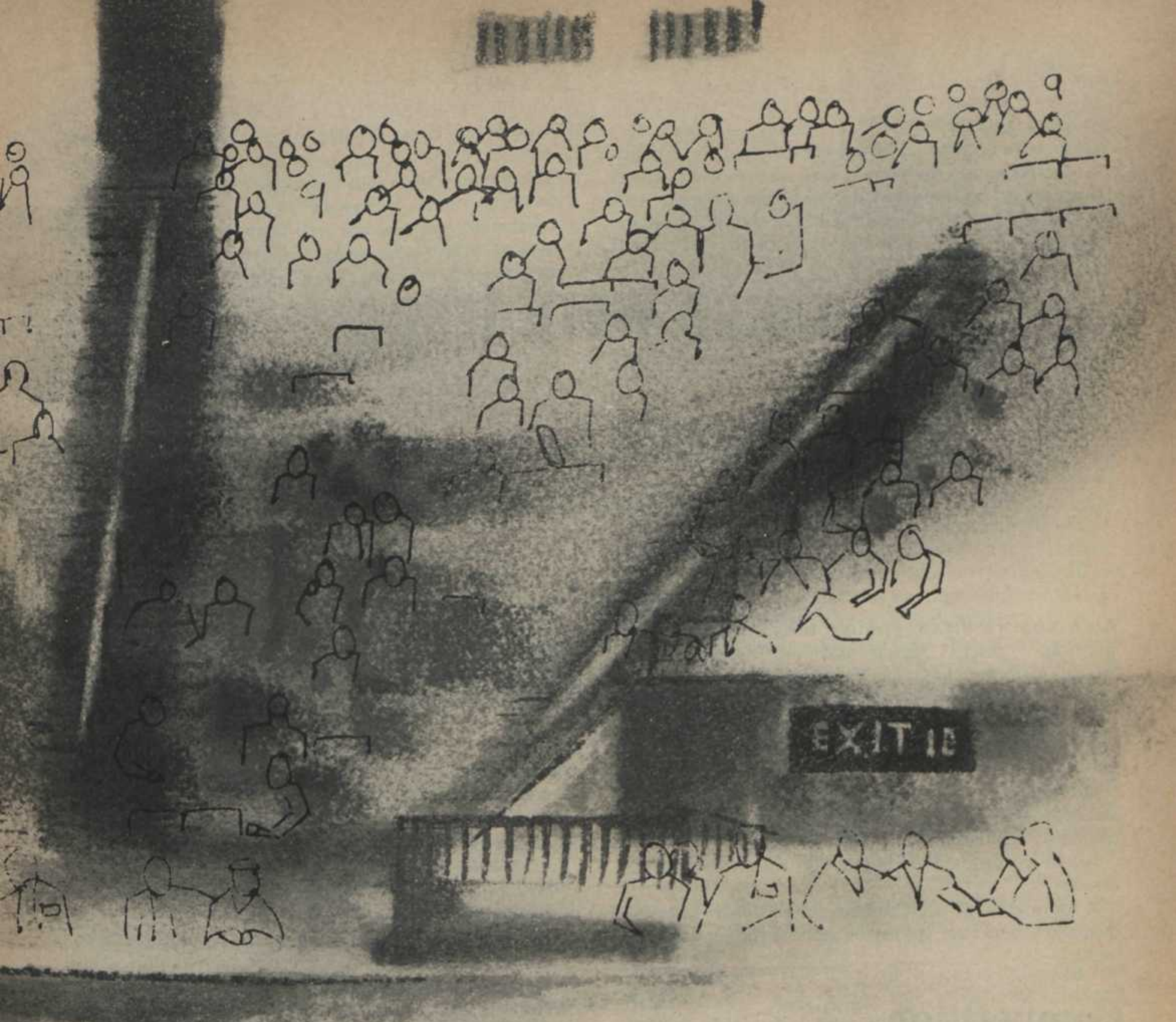
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BEWARE these word traps

The terms that business uses can be used against business

As a businessman, you use such words as "competition," "price," "profit and loss," and have no trouble defining them.

Lawyers, economists and government officials use these words, too. But they would not necessarily define them as you do. As a result, businessmen who testify before government agencies or congressional committees or speak in public frequently find that statements made to prove good intentions are interpreted as admissions of guilt.

Much governmental and public misunderstanding results.

A knowledge of what some common business terms mean to others may spare you some future embarrassment.

Competition is one such term.

This term broadly connotes a rivalry, a striving for something which others also want and which is not plentiful enough for all. In the eyes of economists, all business competition is rivalry but all business rivalry is not necessarily competition.

To a large group of economists, both inside and outside government, "competition," used alone, embraces every source of supply which is available in a given market. Thus, in the economic sense, two wheat farmers who live across the road from each other are competitors. So are two haberdashers whose stores may be some distance apart. The reasoning is that both contribute to the local market supply, every element in the market supply affects the market price, and competition acts through prices.

To the sales-minded businessman, however, competitors are other companies whose sales representatives are constantly met in the field. Asked to name his competitors, the businessman is likely to name only three or four such firms—overlooking the much larger number of companies, near and far, that contribute to the same market supply.

When this statement is accepted as including all competition, a distorted picture of the industry results. The businessman, by his own admission, may have proved himself to be a monopolist.

Price is another word that leads to difficulty.

From the standpoint of theoretical economics, the price of an item is the final price—the price the buyer pays—which takes account of every concession made by the seller.

The businessman is most likely to think of price as the price he publishes.

Because revising price lists is costly and time-consuming, new ones usually are not issued until after actual price changes and general discounts from or premiums over list already have become effective. An investigating agency thus tends to receive the impression that this company's prices are unchanged month after month regardless of market conditions. Even in markets where prices are fairly stable, final prices may vary a great deal because of discounts, special deals, seasonal promotions, the marking-down of overaged merchandise and the like. Thus, final prices not only are more flexible than price lists would indicate, they also create a much more competitive impression of the industry.

None of this is apparent when a governmental investigating agency, in response to a request for price information, receives the printed price list and treats the figures as though they were the actual prices the buyers paid.

This is by no means the only semantic problem involving prices. Early in any transaction every seller must announce his target price, which generally expresses a hope rather than an ultimatum. Market conditions generally modify this price enough to make the final transaction price one which validly can be termed market-determined. Often, however, when asked how he prices his product, the businessman

proudly announces that his price is based on the most modern methods of cost accounting.

It is an axiom of economics that only a monopolist can set his own price. Therefore, this testimony amounts to a confession that the firm is a monopoly.

Generally, the businessman merely means to convey that he uses information provided by modern cost-accounting methods as part of the information upon which his target price is based. In addition, he may also consider the anticipated actions of other sellers, the state of demand and his own need to sell.

By failing to enumerate all the market forces which intervene between his announced target price and his realized transaction price, the typical businessman fails to do complete justice to his own competitiveness.

Practices: Such everyday business activities as brand advertising, use of coupons and the introduction of new products are often regarded by regulatory agencies as noncompetitive or even anticompetitive. This attitude traces back to the tendency to view price competition as the only socially desirable form which competition can take. It is important, therefore, that when talking of their nonprice competitive activities, businessmen take great care to present them in proper perspective. They need to overcome the tendency to make such activities sound more effective in the telling than they are in fact.

Statements about nonprice market practices usually would be more truthful, more meaningful and more favorably received if failures were admitted and if it were made clear that effective countermeasures are available to even the smallest competitor.

Franchise, as frequently used, gives ammunition to business critics. When sellers speak of the franchise achieved by a promotional program, they mean simply that they have gained a degree of consumer acceptance that, by continued efforts, they may be able to hold.

To a government lawyer or economist, however, a franchise is an attribute of monopoly, possession of which implies the power to exclude others from the market. They feel that each future promotional effort will reduce the free market until it has become completely monopolized.

Sales efforts of consumer goods manufacturers can be viewed in a way that heightens this impression. Because the manufacturers advertise to consumers, they may appear to underrate the role of the wholesaler and retailer, reducing them to mere instruments through which the consumer exercises his demand. Business people know this is not the case.

But a recent decision by a federal hearing examiner, despite a record filled with evidence to the contrary, spoke of extensive national advertising programs creating consumer demand which forced retailers and wholesalers to handle certain products.

A complete glossary of the terms and practices which are open to misinterpretation probably would enable businessmen and their critics to communicate in a common language. Such a glossary might prove much too bulky for field use because thousands of items would have to be included. Until such a guide is forthcoming, however, businessmen—especially those who testify before a congressional committee, a court, or an administrative agency—would be wise to consult with someone thoroughly familiar with these semantic traps.

Figures, as well as words, are subject to misunderstanding. Where competition is at issue, so-called market facts may become crucial. The model of pure and perfect competition probably has supplied most of the criteria of market competition currently in use. This kind of market must include infinitely large numbers of buyers and sellers, all of about the same size and all having complete knowledge of that market. Every seller's product must be completely indistinguishable from that of every other seller; every seller must be indifferent as to whom he sells; and every buyer must be equally indifferent as to whose product he buys.

No seller or buyer can supply to or take from the market a quantity large enough (relative to the total) to affect the market price, but this one market must be all-important to the survival of every seller and to the satisfaction of every buyer. Everyone—buyers and sellers alike—must be free to enter or to leave this market at will and without penalty. Although no real market has ever been purely and perfectly competitive, several farm markets and raw material exchanges have approximated it.

When competition in a real market is judged by the degree that it approaches this model, the relevant market facts are: 1, the numbers and sizes of buyers and sellers; 2, the degree to which brands, consumer preferences and product differences are important; 3, the total quantity of commodities which move through the market, and the percentage shares of individual buyers and sellers; 4, the presence or absence of contracts or other obstacles to complete mobility within and knowledge of the market; 5, the degree to which each seller is diversified into other markets and therefore less dependent on this one; and, 6, the presence or absence of barriers to the entry or exit of buyers and sellers.

Most of these facts can be expressed numerically, but statistics can be misunderstood, misrepresented or misused.

Only a competent company accountant or statistician can know the content, definitions and validity of data collected in the day-to-day course of business. His advice should be followed.

Many businesses also subscribe to one or more periodic polls, typically conducted by market research organizations, and use them as aids both in forecasting demand for their products and in assessing the effec-

tiveness of their sales effort. Although the market research organizations use care and ingenuity to assure representative samples, they cannot provide absolute statistics. Businessmen generally use these surveys as measures of relative changes within their markets. From them they learn when a total market or a firm's market share is rising or falling, and by approximately what proportion, although they cannot tell how big it actually is because they do not and cannot measure the actual size of a market or a market share.

Such statistics have been used, however, especially in antitrust actions, as measurements of absolute market totals and company shares.

The balance sheet and the profit-and-loss account also are extremely valuable management tools for both short-term and long-term analysis. Businessmen often publish these or similar financial reports without hesitation, alteration or explanation, because "everybody knows how to read a financial statement." However, under certain circumstances nearly everybody tends to misread financial statements, especially if they cover a long period of rapid economic change.

Because of rapidly rising prices during recent years, a common management problem has involved the treatment of replacement costs. For example, between 1940 and 1954, according to the Department of Commerce, the cost of new factory equipment doubled, while that of nonresidential construction rose even faster. In 1954, then, a typical manufacturer would have had to obtain twice or more than twice his 1940 dollar profits, merely to maintain the financial position he held then.

In their analyses of long-term corporate finances, accountants to private enterprise usually employ financial ratios which are unaffected by changes in the value of money. But corporate growth—which such ratios do not measure—is an important factor in any antitrust or similar regulatory matter. Few business critics take inflationary forces properly into account when dealing with financial statements.

As a result, a firm which has just managed to maintain its physical volume of sales often is treated as if it had grown rapidly. Since this is true, the business should take precaution when submitting financial information to make certain that this kind of misrepresentation does not occur.

Legality

Points of view with respect to the legality or illegality of particular acts of business also differ widely, especially between government and business.

A fruitful source of this government-business misunderstanding is the language of the Clayton Act prohibiting certain actions the effects of which "may be substantially to lessen competition. . . ." As now generally interpreted, this phrase implies the creation of a situation which, viewed in an essentially theoretical framework, has a high probability of altering adversely the competitive characteristics of the industry or market.

Whether the action was or was not intended to have this result does not necessarily matter—in fact, the businessman may be completely and honestly unaware that the possibility exists. Nevertheless, if this probable result can be ascribed to the act, illegality will have been established.

Because of this language, the Clayton Act makes it virtually impossible for the businessman—and often for his general counsel—to assess the legality of many business actions such as mergers and acquisitions, the adoption of new price and discount policies, and unusual patent or capital equipment purchases.

For example, under Section 7 of the Clayton Act the merger of two firms which do not sell in any common market could still be considered illegal because of the effect it might have on competition between customers or suppliers of the merging firms—or simply because it enhanced the resources of the resulting firm in some unusual and competitively significant way.

Until our antitrust laws are more clearly framed and interpreted, these and similar pitfalls wait to trap those who are not legal, economic, or semantic experts.

—W. HALDER FISHER

The author is a former economist with the Federal Trade Commission. He now heads a Washington consulting firm.

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Executive Trends

Anyone for résumés?

How far should a man go in selling his qualifications when he seeks a new job?

This is among the questions raised by the growing popularity of job résumés. This résumé is a written career record which a job applicant submits to a prospective employer.

While the résumé is not a new business tool, its use has soared in recent years. For many companies it has become a rule that applicants bring or mail in a written summary of their past job experience. Some executives write the summary themselves, but professional résumé writers report a booming trade at rates ranging from a few dollars per page to $350 for the finished product.

▶ Some professionals recommend a succint, conservative approach in preparing résumés. They urge applicants to keep them to a page or two and suggest that they use an inexpensive format. Others—particularly when dealing with candidates for jobs in sales promotion or advertising—advise a more elaborate autobiography, replete with photographs and extensive personal detail. Some applicants' résumés have amounted to short novels about themselves (professionally printed); others have used "talking records" to recount their background. One Texas executive packaged his in a Texas-size binder that included many pages of small talk and a picture of him with film actress Jayne Mansfield at a plant-opening ceremony.

How to prepare a career summary

Personal taste and personality aside, there are some generally agreed upon ground rules as to what constitutes an effective job résumé.

New York executive search specialist Ann Hoff says most employers have an adverse reaction to excessively flashy résumés. She advises her clients to keep their material brief and to the point. The résumé should emphasize what you have done that has been truly important, and de-emphasize unimportant detail. "It's surprising," Miss Hoff says, "how many experienced businessmen cannot distinguish between the really significant elements in their careers and the trivialities."

Some more tips: Avoid editorializing too much about yourself; keep discussion of family matters brief; discuss your last job first and develop the over-all presentation in chronological order.

▶ Miss Hoff says that, although industry is currently seeking a great many new executives, it sets, at times, impossibly lofty standards for applicants

to meet. She blames this on the fact that industry has learned so much in the past 10 years about human behavior through testing and psychological research. The result is that many companies won't seriously consider a candidate unless he can survive rigid tests, psychological interviewing ("to determine his emotional suitability") and unless he meets rigid requirements as to length and precise type of previous employment. "Finding a job today is really a career in itself," Miss Hoff adds.

Test employes' reaction before you act

A way to predict employe behavior under varying circumstances is offered by research conducted by Dr. Chris Argyris of Yale University's Department of Industrial Administration.

Key to the system is the gap between what employes expect from their jobs and what management demands of them. The research has found that workers normally want control of their immediate work, job security and a pay scale which compares favorably with the going rate at other companies.

Dr. Argyris, an authority on organization behavior, says you can anticipate development of resistance to change where new company policies upset the circumstances which employes have come to want and expect. "This doesn't mean," he says, "that management should run its plants to satisfy and please its employes. But, a positive state of mind and high morale are directly tied to productivity."

▶ Dr. Argyris proposes that businessmen analyze their firms and personnel to determine the organization's demands, the workers' expectations, and how conflicts can be resolved. His research indicates that you should not assume that all employes want to feel involved in the big worries faced by company management. The course you should follow—through a behavioral study—is to determine your employes' basic job desires and expectations prior to making significant changes.

Communication—key to your success

Of all the skills that an executive needs, none is so indispensable as the ability to communicate clearly and persuasively.

"Every executive has to have some quality of personal salesmanship," says Dr. Nathaniel Stewart, lecturer in management for the American Management Association. "Executives face the task of presentation in many ways—presenting a proposal to the boss, getting a point across at a staff meeting, conferring with delegates at trade association meetings, getting across to employes the reasons for a change."

To help their managers master the elusive art of presentation, many companies are overhauling their conventional public speaking courses and other related activities for executive development in order to convey the importance of the art of presentation as a whole. This broader approach takes in logic, graphic presentation, persuasion, communication effectiveness in the crossfire of questions and criticism, poise and other elements.

▶ "In almost any field you can name," says Ford Vice President Malcolm L. Denise, "the men who achieve the greatest eminence are the men best able to communicate their ideas to others." Mr. Denise suggests that students be urged to continue and broaden their education, as one means of building much-needed communication skills. "The future holds less promise for the unskilled, and students who leave school too early simply add to the pool of unskilled labor," he adds.

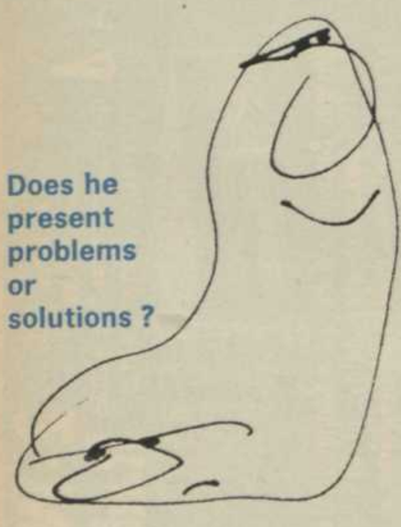
8 TESTS SPOT INITIATIVE

Men who can do their jobs well leave time for you to do yours

SELECTING THE RIGHT MAN to do a job is one of management's most recurring challenges.

But how do you separate the doers from the daydreamers?

Eight tests will help you to find the man who gets things done.



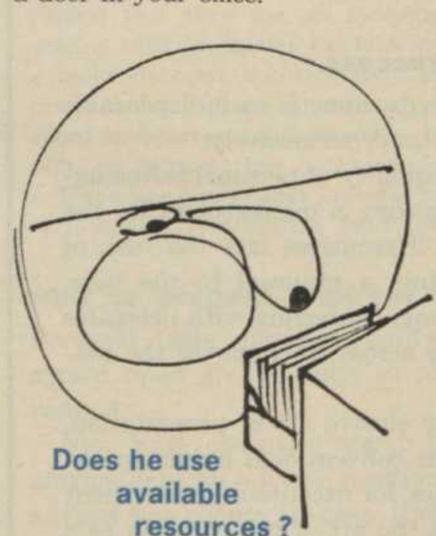
The executive vice president of a business machines manufacturing company was comparing a former assistant with his present one.

"My former assistant," he said, "invariably came to me in the middle of an assignment to tell me about a difficult problem he had run into. He proposed no solution, not even a poor one. Thinking about the problem had taken all his time. Whether he realized it or not, he was asking me to use my time thinking about possible solutions.

"The man I have now also brings difficult problems to my attention, but he offers a possible solution or two. Usually one of his solutions does the trick. However, even when none of his solutions has sufficient merit, they start me thinking about other answers."

The daydreamer becomes so entangled in the problem that he spends his time describing it, defining it, and delineating it. Anything, in fact, but working on a way to solve it.

Listen carefully the next time a subordinate brings in a problem. If he also brings a reasonable suggestion or two, you probably have a doer in your office.



One of the most frustrating experiences in assignment-giving is to have the assignee return again and again for help he could have obtained elsewhere.

If you find yourself responding in some of the following ways, you can be almost certain you are dealing with a non-doer:

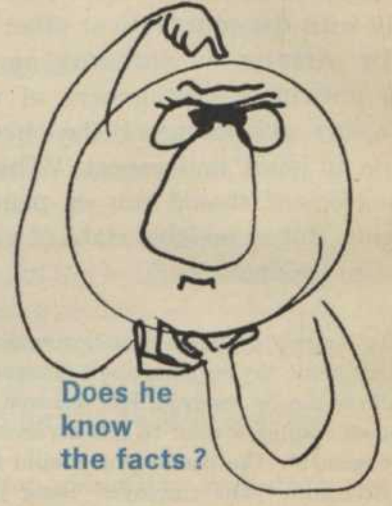
"But the answer can be found in the file on this matter."

"My secretary could have told you about my schedule for next week."

"That point is covered in the minutes of the meeting."

"Have you read the two speeches I recently made on mergers?"

On the other hand, if your assistant rarely comes in with questions while he is working on a project; if he gets as many preliminary answers as possible; if he has made it his business to learn your point of view—keep him in mind for important assignments in the future. He's a man who knows how to do his job as well as how to give you more time to do yours.



Watch for the subordinate who always is first with the answer.

The vice president of a paper manufacturing company had several subordinates of approximately equal rank. From time to time, he would ask them to bring in recommendations on various matters. Invariably one of them came in to report ahead of the others.

It soon became apparent, however, that the speedy subordinate habitually neglected his homework; his recommendations rarely squared with the facts. The vice president concluded that the fastest man was the one he could rely on least. The doers took time to study the facts. They were somewhat slower but considerably more sure.

If, in making far-reaching decisions, you rely to some extent on the recommendations made by others, choose individuals who show great respect for facts.

An excerpt from a letter written to the president of a successful advertising agency is revealing:

"You have asked my opinion as to whether Joe R— can handle the new airline account. I admit that Joe has a lot in his favor but, until he learns to recognize the absolute

importance of studying the client's operation from A to Z, I would rather see him operate under someone else's direction. When Joe matches that great creative talent of his with a mastery of the facts about a product, he will be one of our most valuable assets."

Frequently the least glamorous part of a job is to study its background. A doer is willing to make the necessary effort because he is aware that knowing is an indispensable part of doing.

to results?

Generally, a doer lets his actions do most of the talking. Dalliers, dawdlers, and daydreamers learn to camouflage their lack of achievement in torrents of words.

The head of one of the nation's largest package foods companies asks for oral reports in these terms, "Please skip all the background, the plans you made, the strategy you followed, and the hopes you have. Just tell me in as few words as possible—what you have accomplished thus far." At least, if the answer is "nothing," the time can be constructively spent in suggesting what the subordinate should do. If, later, the results are still invisible, it is time to put another man on the job.

A written report may tell a great deal about the reporter. If it is clearly a long-winded and blown-up picture of a negligible result, take a careful second look at the reporter before assigning him another task. He may be excellent at writing reports, but mediocre in the runs-batted-in department.

Reporting is an essential part of business operations. But a long, involved report is sometimes a substitute for action. The man who gets things done says less and does more.

Does he get discouraged easily?

When one of your subordinates is talented at explaining why tasks cannot be accomplished, he may be the fellow who can't accomplish them.

If a man shows signs of discouragement at the first obstacle he encounters, look out. He is going to need more fatherly encouragement than you have time to give him.

As a rule, doing goes hand in hand with a positive attitude. When the salesman thinks he can sell, his chances of making the sale increase. When the traffic manager is determined to find cheaper routings, he won't give up until he has done so. Whatever the mission, the man who really believes he can accomplish it is more likely to do so.

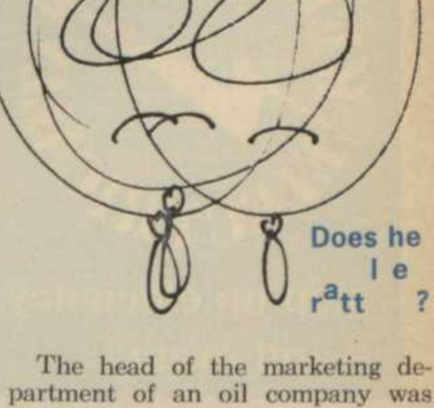
This should not be construed to mean that a doer is an irrepressible optimist. But he does size up a task with a view toward completing it. That gives him a decided advantage over the person who finds almost every task difficult and every difficult task impossible.

Does he finish the job?

The vice president of a bank was describing one of his assistants. "Joe starts out on a job like a house afire. A week later he has simply added it to a couple of dozen other jobs that he will probably never finish."

Beginning a project is ordinarily easier than completing it. The early steps of thinking about the project, putting the plans on paper, discussing it with associates and submitting a progress report don't represent too much of a challenge. Later on, however, the job becomes more formidable. In one case, it may be the necessity of seeing an individual with whom it is hard to get an appointment. In another instance, the crucial test is whether or not the sale is made. In still another, it is whether the board of directors accepts the program into which ten months of preparation have been poured.

So it is a good idea to check on a man's staying power. One way to do this is to ask him to give you an inventory of his current uncompleted tasks. Ask him to tell you when they were assigned and when they were supposed to be completed. If the record shows that he has a tendency to let things drift, pass him over for the man who finishes what he begins.



Does he rattle?

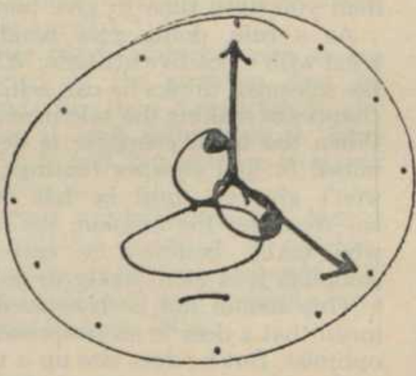
The head of the marketing department of an oil company was looking for a man to take on an important overseas assignment. Junior executives were under consideration. All had the necessary educational qualifications and the technical knowledge. The department head made his choice. This was his reason stated in his own words: "I've watched these fellows for a long time. They are all pretty evenly matched. But I'm choosing Mac because he takes the most unexpected things in his stride without getting rattled."

If business tasks always went

8 TESTS SPOT INITIATIVE *continued*

along serenely, many more people would qualify as doers. But the rough days provide a testing ground. If your assistant remains calm under conditions that would ordinarily cause a man to lose his poise, his nerve, or his temper, he merits a chance at added responsibilities. He will get things done while others around him are running for the nearest buck-passing shelter.

Does he meet deadlines?



Rarely does a businessman accomplish his goals without keeping an eye on the clock and the calendar. When something must be done is as important to him as what must be done.

Suppose the company president has been asked to give a progress report to the board on the acquisition of a site for a new plant. The president needs the information at least three days before the board meeting and so instructs the aid who is to get the information.

The aid doesn't deliver the information until the morning of the meeting. As a result, the president doesn't have time to polish his remarks. More often than not, the president's report will reflect that lack of preparation.

If the same aid should ignore the deadline on a second major assignment, it may be time for a change. No matter how complete and accurate the aid's work, he can't be depended upon to deliver the work when it is needed.

A doer will never take his eye off the target date. If unforeseen obstacles or complications arise, he will report the matter to his superior so that the due date may be reviewed. But he will not leave his superior stranded on deadline day.

Ways to recognize doers

▶ Measure output, not noise. It could be a mistake automatically to classify a silent subordinate as a daydreamer—he may be quiet because he is busy.

▶ Look out for the assistant who claims to be a whiz at delegating—he may merely be an expert at avoiding work. Overgrown staffs often get that way because everybody wants to delegate.

▶ A doer won't run away from details. Don't be unduly impressed with the junior executive who says he will deal with the big picture and let others handle the details.

▶ You can be suspicious of the man who is constantly writing, telephoning, dictating, and dashing from one place to the other. Don't assume he is a doer. He may just be running away from a process that terrifies him—thinking.

▶ Don't pin too many hopes on the aid who wants to hold group meetings at the slightest provocation. The greater the do-it-yourself urge, the fewer the meetings.

▶ Some managers develop preconceived notions about what a doer looks like. Whether an individual is tall or short, stocky or slender, blond or bald won't make the least difference. Doers come in all shapes and sizes.

The challenge of finding the man who will get things done in business and industry is never-ending. Geiger counters and X-ray equipment won't help. Only through careful observation of day-to-day performances can you separate those who do from those who doze.

—HOWARD R. DRESSNER
Assistant Vice President, New York University

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NEW ANSWERS

continued from page 41

population, dwelling, and appliance trends in their territories.

Manufacturers will be able to get a graphic picture of the areas which are growing fastest and those which are stagnating or slipping, and redistribute their factories and sales forces accordingly. One firm may find that the good performance of Salesman Roe and the poor performance of Salesman Doe was due more to the changing characteristics of their territories than to differences in their ability to sell.

The American Marketing Association cites these uses of census data (either the population and housing reports alone, or taken together with the periodic government censuses of business, manufacturing, and mining): economic or sales forecasting; analysis of market potentials; analysis of distribution; layout of sales facilities; analysis of sales performance; the location of plants, warehouses, and stores; and selection of samples for private market research studies.

In coming months, the supply of reasonably current statistics from major government surveys will be at its most complete point in the past 10 years. Figures from the 1958 censuses of business, manufacturing and mining are now appearing and will still be fairly current, and the results of the 1959 Census of Agriculture will appear later this year.

Then, starting in late summer and early fall, figures from the first big population census since 1950 will start flowing from government presses.

Collection of these figures will begin late this month when the Post Office Department will distribute to every U. S. household a four-page white questionnaire carrying seven questions about each person in the household and seven more questions about the dwelling itself.

The government wants to know the name of each individual living in the house, his sex, race, month and year of birth, marital status, and relationship to the head of the household. Concerning the dwelling, the government wants to know whether it is owned or rented, the market value if owned and the weekly or monthly rent paid if rented, the cooking and plumbing facilities available, and the number of rooms.

The individual will be asked to fill out these forms himself—the first time the government has used a do-it-yourself approach on the mammoth census job—but then to hold on to them. Early in April, some 160,000 men and women temporarily on the federal payroll will visit every household in the country—some 60 million urban and rural units with 180 million people—collecting and checking the completeness of the forms, filling out forms that are wrongly or inadequately filled out, and also checking off whether the dwelling is in good or bad condition.

As the census takers make their rounds, they'll leave at every fourth dwelling a more voluminous blue "census household questionnaire." This will ask the educational background of the people, their place of birth and mother tongue, if born outside the U. S., country of birth of their parents, the date of each individual's marriage, the number of hours worked the previous week and the number of weeks worked in 1959, when the person last worked if he is now unemployed, full information of the type of work done and the type of employer, the city or town where the work was done, the means of transportation in getting to and from work, 1959 wages and 1959 income from business profits, professional fees, pensions, dividends, rents and other sources. It will also ask how long the family has lived in the present dwelling, whether they came from another part of the same community or from outside, the number of children in the family, and whether any member is a service veteran.

About the dwelling, the householder will be asked to indicate the year it was built, the number of bedrooms and bathrooms; kind of heating; type of fuel used for cooking and heating water; the number of radios and television sets owned; the type of washing machines and clothes dryers owned; the type of air conditioning, if any; whether there is a separate food freezer; whether there is a basement, the number of floors in the building and whether there is an elevator; whether a telephone is on the premises; the number of passenger autos owned by members of the household, and the average monthly outlay for utilities and fuel.

In smaller towns, there will also be a question for a still smaller sample as to the source of water supply and method of sewage disposal. Trailer-dwellers will be asked whether the trailer is on wheels or on a permanent foundation.

This supplemental questionnaire will be accompanied by a prepaid envelope addressed to the local cen-

sus office, and the householder will have three days in which to fill it out and get it off. At the census office it will be picked up by the census taker who will handle whatever follow-up is needed to ensure that all questions are answered completely.

At about the same time, the census men will ask a sampling of lenders and property owners to amass a wealth of detail on residential financing—the size of mortgage loans, interest rates, government insurance status, purchase price, sex and age of owners, veteran status, income of owners, and the like.

Late in April, all this data will be sent to a central station in Jeffersonville, Ind., for microfilming on 100-foot reels. The films will then go to Census Bureau headquarters at Suitland, Md., and run through special machines called FOSDICs (film optical sensing device for input to computer). The FOSDICs will convert the microfilmed information into a series of electronic dots on magnetic tape. The UNIVAC 1105 will tabulate the results from the tapes. To prepare different reports, the master tapes will be used over and over until the billions of bits of information about the nation's people and homes have been sorted out and recorded in a series of summary tapes, each carrying only the information required for a specific report. High-speed electronic printers will convert the tabulations into statistical tables.

The set of publications that will result from this 1958-1960 program will exceed 100,000 pages.

Perhaps the best indication of the usefulness of census data is the constant pressure on government to ask more and more questions, many of which the Census Bureau feels it must resist if the questionnaires are not to grow so bulky that individuals will refuse to answer. In connection with the current Census of Population and Housing, for example, the Bureau turned down a request to find out how many blondes, brunettes and redheads there are in the country. The size and weight of Americans was also vetoed as a census question, as was a request that the number of AM and FM sets in use be tabulated.

Business groups joined politicians, religious leaders, and sociologists in an unsuccessful effort to have a question on religion added to the census this year. Some individuals who learned of the attempt informed the Bureau they would refuse to answer this question on

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grounds of principle. Since the law provides criminal penalties for failure to reply to a census questionnaire, government officials felt it wiser to skip this question.

One proposal which would have added greatly to the understanding of urban problems was to obtain data on all structures in the country —homes, factories, offices and stores —by number, type, floor space, and the like. It became apparent, however, this would be an impossible task, going far beyond the approach to dwelling units only. Another proposal that fell by the wayside would have assembled detailed information on taxes, utilities, fuel, and all other costs of home-buying.

Though these and other questions were rejected, much of the information in the current census will be collected for the first time. In return, though, some questions previously asked were dropped.

For the first time, dwelling conditions will be classed not merely as "sound" or "deteriorating" but as "sound," "deteriorating," or "dilapidated."

Also for the first time the results will show whether youngsters attend public or private schools.

Most of these changes were worked out in two years of conferences with the representatives of other government agencies and businesses interested in using census data.

Some of the broad trends the 1960 census will show are already known in a general way. For example, it will show about 180 million people in the United States, compared to 151,132,000 in 1950. This 29 million population increase will be the largest in any decade in the country's history, far larger than the 19 million increase from 1940 to 1950. The tremendous upsurge, the figures will show, is due both to a sharp rise in the number of births and the constantly declining death rate.

It will pinpoint how greatly the proportion of younger and older people has increased compared to middle-aged groups. In 1950, the 38 million children under 14 made up 25.4 per cent of the total population; by 1958, a sampling showed, the number had increased to 50 million, or 29 per cent. Presumably there are now some 55 million. At the same time, persons 65 years and over increased from 12 million, or 8.1 per cent in 1950, to 15 million

or 8.6 per cent by 1958 and now to 16 million or so.

An unprecedented gain in the number of married couples will be shown, not only because of the growth in the total population but also because of an increase in the proportion who marry. The census will show a tremendous growth, almost 15 per cent in the past decade, in the number of households. But it will likely also show little change in the average size of the individual household, despite the increasing number of marriages and children. This is so because better economic conditions have enabled more older people to maintain their own homes instead of moving in with their children or other relatives.

The continuing steady rise in family income, the exact increase in the total number of dwelling units, the strength of the movement from the farm to the cities and from the cities to the suburbs, the steady rise in school enrollment, the increasing employment of women, and the strong regional movement of population to Florida and the West will all be documented.

Businessmen will frequently get their information in the form of charts, graphs, analyses and other material from general business or trade groups. But, if they are concerned with specific state or local situations, they will do better by referring to the Census Bureau publications. Small businessmen, particularly, can benefit from these reports.

The first preliminary reports both from the census of population and the census of housing will list merely the number of inhabitants and the number of housing units in each state and local area.

The preliminary studies will be followed by so-called advance reports, giving revised figures and more detail. Between October 1960 and early 1961, the advance reports on population will be issued, giving final counts on the number of people, plus some preliminary figures on age, sex, race and marital status, education, family income and a few other general characteristics. These will be issued for all states and, with respect to some figures, for cities and towns. Advance reports on housing will be issued between January and April 1961, giving broad information for states and some major metropolitan areas.

The final reports will come still later and will, naturally, have the greatest amount of detail. Here's the schedule for the final reports on the census of population:

Numbers of inhabitants in each

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state, county, urban area, and town, November 1960 to May 1961.

General population characteristics, such as age, sex, and marital status, broken down by states, cities and rural areas, between January and July 1961.

General social and economic characteristics, such as occupation, income, education, migration, fertility, and the like, broken down into similar areas, available between April and December 1961.

Detailed social and economic characteristics, showing cross-classifications between these factors—income by occupation, age by education, and the like—available between July and December 1961.

Various special reports on such specific subjects as mobility, marital status, employment characteristics and education, available between March and December 1962.

The schedule for the final reports on the housing items is now set up as follows:

General characteristics of the housing supply, available between September 1961 and February 1962.

Individual reports on some 190 standard metropolitan statistical areas, between December 1961 and May 1962.

Reports on some 475 cities, giving block statistics, available between May and December 1961. Reports on changes in the housing inventory between 1950 and 1960 in 17 standard metropolitan areas, out between January and July 1961.

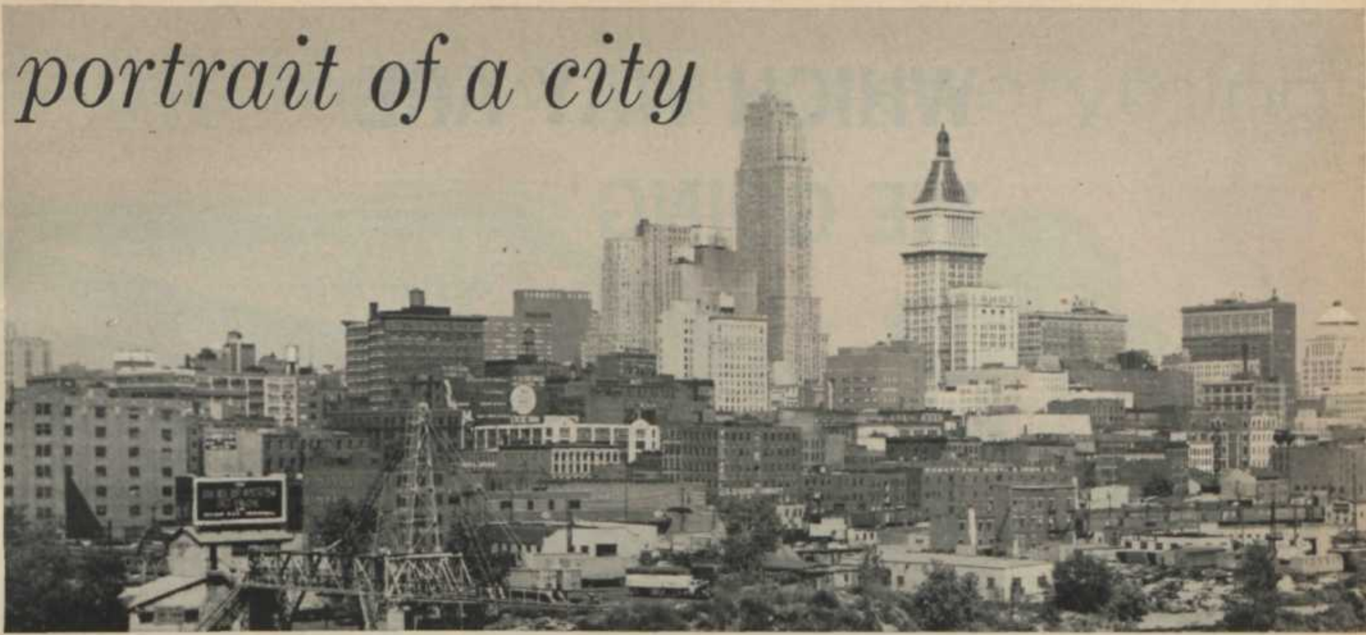
Statistics on the special residential financing survey, out in December 1961.

As the various reports are printed, the Census Bureau will make announcements in the public and trade press. The reports can then be bought from the Government Printing Office in Washington or from the Commerce Department's field offices. They also will be available for study at the 117 libraries in which all official federal documents are regularly deposited and, for the most part, in 30 other libraries to which the Bureau sends most of its publications.

The businessman who wants help in determining just which reports can be of use to him and in interpreting the figures they contain can get it at any of the 33 Commerce Department field offices, or by writing the Census Bureau's headquarters at Washington 25, D. C.

—CHARLES B. SEIB

portrait of a city



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The words are:

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"Build more power dams

"Let Washington control the schools

"Forget balanced budgets

"Step up our rate of growth

"Start new welfare projects

"Or: Russia will overtake us."

Before panic drives us to grab all these straws in a last grim gesture of survival, we may have time to answer a pertinent question:

"Which way are we going?"

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